

Gartner Business Quarterly

Third Quarter 2020

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A construction site at sunset, featuring several cranes and the skeletal frames of buildings under construction. The sky is a deep orange and yellow, with silhouettes of the cranes and buildings against the bright light. The Gartner logo is in the bottom right corner.

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Gartner Business Quarterly

Third Quarter 2020

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How to Rebuild Better

Letter From the Editor

Welcome to the inaugural issue of Gartner Business Quarterly. Here is our reason for being: Senior executives have been asking us for help becoming better business partners and enterprise leaders. GBQ will advise you on aligning with others and reaching maximum effectiveness — so your organization can achieve its goals, be bold and principled, and bring employees, investors and the public along for the ride.

Each edition of this journal will tackle a challenge that cuts across the C-suite and executive teams. This time, we look at how your enterprise can rebuild better from the crisis the whole world faces now.

The pandemic, protests and recession have laid bare and accelerated the impact of tough choices deferred. In this moment of clarity, it's time to bust myths and break through the bottlenecks that have held back needed change — rethinking cost structure, creating more efficient and responsive projects and processes, and considering larger social impacts.

The core group of articles in this edition deliver new ways to shift your mindset and take action now. They are based on best-practices research and real-world experience shared by global leaders at organizations large and small, including Google, ING, Lloyds Banking Group, Qantas, ZO Skin Health, the Treasury Board of Canada Secretariat and the Finnish city of Turku.

You can use this information to spend more prudently while also positioning for recovery. Decisions made during this period of uncertainty will forge a new set of winners, just as they did in the wake of the financial crisis. This time, fresh thinking will aid in steering through the "new normal" and beyond.

GBQ also includes departments that keep you up to speed: Cutting Edge, a graphics-intensive look at thought-provoking new data, and Briefs, a set of short takes about Smarter Spending & Planning, Talent & Culture, Growth & Innovation and Data & Technology.

We welcome your comments and questions. Please reach out to me at judy.pasternak@gartner.com.

— Judy Pasternak

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Out of necessity, companies have discovered just how dynamic their internal talent pool is. Businesses have long wanted to make better and more creative use of their in-house labor market, as automation takes hold and skills needs shift, but inertia to stay in silos is strong. Now that the pandemic has ripped apart the seams of resistance, companies should capitalize on what worked and prepare for more staff redeployment.

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Stop overweighting the importance of adapting to the external environment — that's equivalent to outsourcing your resource allocation strategy to your rivals and the macro economy. Instead, finance and business leaders should work together and spot where they can invest in standing out from the pack.

22 Smarter Design Will Insulate Your Biggest Bets From Upheaval

The structure of growth projects puts long-term success at risk. Saying "these are important" is not the answer because everyone agrees yet tough choices are at hand. There's a better way to encourage sustainable funding: reduce the resources required, eliminate conflicts between initiatives and the core business, and consider the sequence to keep funding flowing.

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30 The Pandemic, Protests and a Test of Corporate Commitment

The economic downturn is no excuse for shelving promises to employees, consumers and suppliers. A public health crisis and a focus on racism make it crucial to keep those pledges. General counsel should ask the board four questions to frame directors' thinking.

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Few compliance teams have time or money to create tailored guidance that addresses needs as they arise. QBE North America found the solution in a library of modules that can be assembled many ways. Employees receive only what applies to them, so requirements feel fully customized.

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Conventional recruiting methods no longer yield the high-quality talent needed to sustain growth. Business leaders must seek skills over profiles, consider more diverse talent pools and adapt jobs to changing candidate expectations.

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Favoring speed over high standards, or now over later, presents a false dichotomy. Be clear upfront about how to weigh choices so employees, whether they are on the front line or within a specific function, understand what to do. That's more important than messaging or spotting issues early.

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Internal audit, HR and communications teams are making use of Scrum Masters, Kanban boards and stand-up meetings – and reaping the benefits.

The Cutting Edge: 3Q20

Cool New Data Points

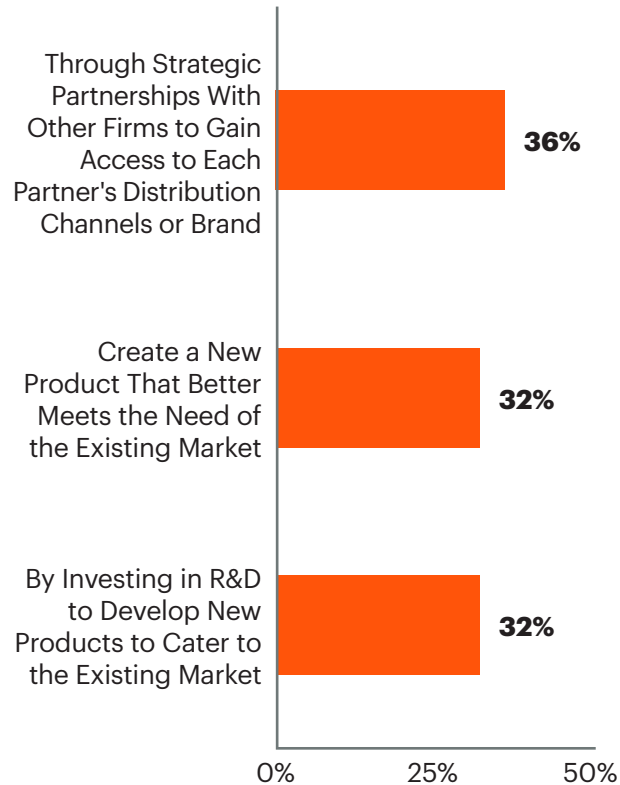
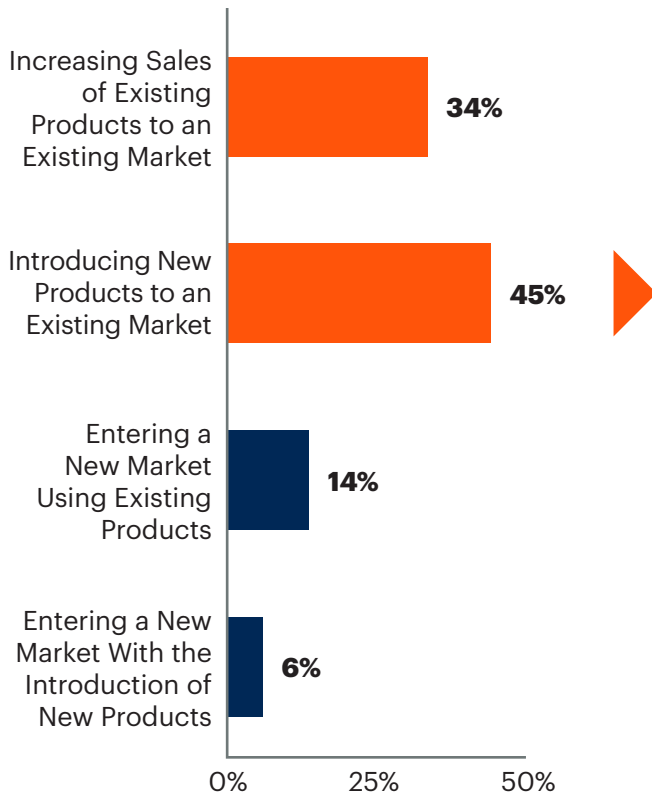
Compiled by Oana Lupu



New Markets Are Not a Priority for 2021

Almost four-fifths (79%) of chief marketing officers say their companies plan to focus next year's growth strategy on existing markets — either by increasing sales of existing products there or introducing new products.

How CMOs Plan to Fuel Growth in 2021



n = 432 marketing leaders

Q: What is your organization's primary strategy to fuel growth into 2021?

Source: 2020 Gartner CMO Spend Survey

Note: Numbers do not add up to 100% due to rounding.

n = 195 marketing leaders focused on introducing new products to an existing market

Q: What is the primary way your organization plans to approach new product development to fuel growth in 2021?

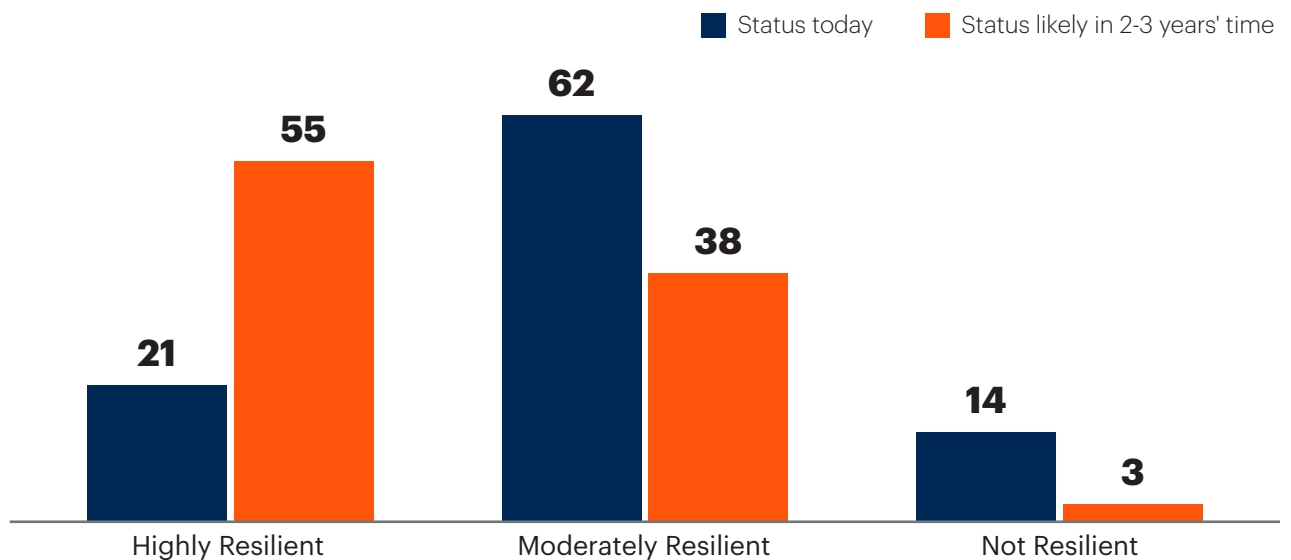
Source: 2020 Gartner CMO Spend Survey



The Supply Chain Pendulum Swings From Efficiency to Resilience

The COVID-19 pandemic has exposed the weaknesses of global supply chains built around cost and efficiency. Executives used to think that building a highly resilient network was simply unaffordable but this crisis has made the ability to respond to change an urgent priority.

Expected Increase in Supply Chain Resilience



n = 236

Q: How resilient do you believe your supply chain network is, in terms of its ability to respond effectively to changes in trading conditions?

Source: 2020 Gartner's Weathering the Supply Chain Storm Survey

Note: Don't know responses are excluded.

A highly resilient network is one with good visibility into the supply chain and the agility to shift sourcing, manufacturing and distribution activities around rapidly.

Supply chain executives told us they are pursuing these strategies:

- Building up inventory and increasing production capacity
- Relocating manufacturing plants to reduce dependence on any particular country
- Mapping sub-tier supplier interdependencies to avoid overdependence on any particular supplier
- Moving manufacturing or assembly operations closer to the customer
- Standardizing parts and plants so that products can move seamlessly across the network
- Building partnerships with contract manufacturers and logistics providers to diversify the network and plan joint crisis-response measures

Source: Gartner



Help Vulnerable Customers, and They Will Help You: A Lesson From Financial Services

About half of retail banking consumers and small businesses are financially vulnerable, and they come from all income levels. Don't make assumptions — use analytics to identify who they are and focus groups to understand how you can address their challenges.



47% of retail banking customers are **financially vulnerable.**



74% of the financially vulnerable are **employed.**



25% of the financially vulnerable have an **income of over \$100k.**



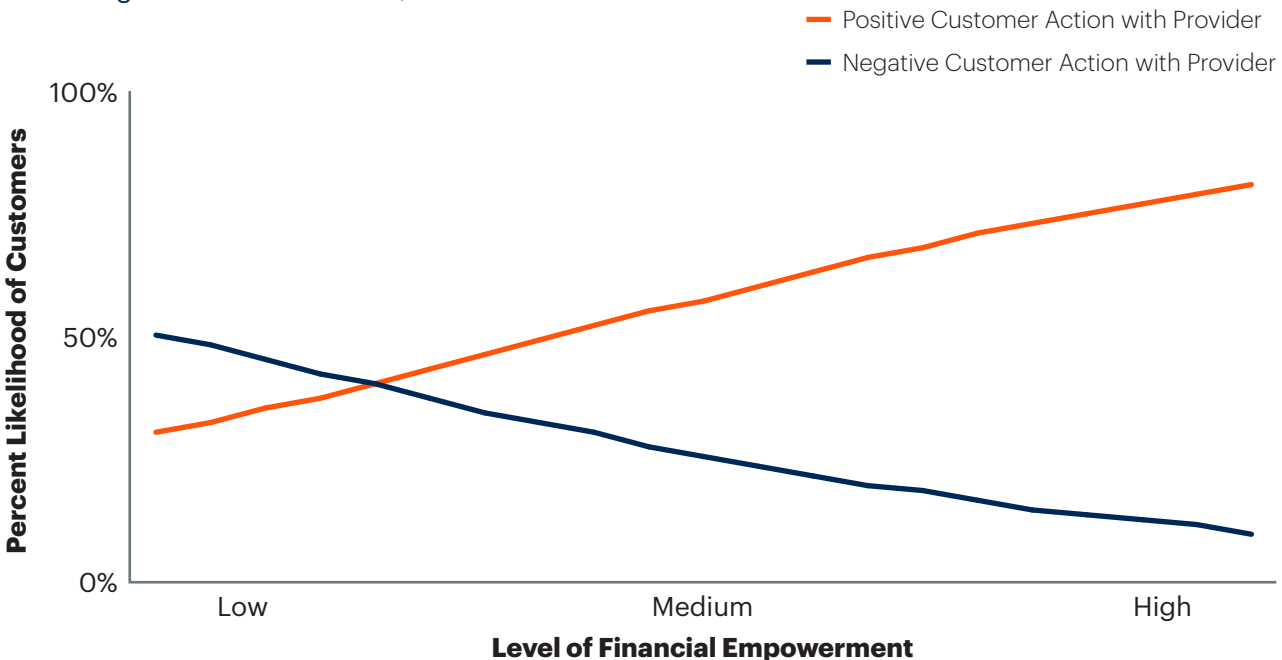
22% of wealth management customers are **financially vulnerable.**

Source: 2020 Gartner Customer Experience Survey

Financial services providers that invest in empowering at-risk customers see positive returns for the customer and themselves. When a bank teaches these clients about options, gives them tools to stay on track and makes it easy to access new services, they are more likely to take a positive action with their provider — for example, generating revenue by increasing their savings or becoming brand advocates.

Financial Empowerment Actions and Their Effect on Customer Relationships

Percentage of Retail Customers, Global



n = 5,337 Retail; 729 Wealth; 1,499 Small Business






Source: 2020 Gartner Customer Experience Survey



Returning to the Workplace: The End Is Not the End

Companies that have brought employees back to the workplace say that the big move is just the start of an iterative process. The return is fraught with risks including the potential for employees to get sick or even the need to go remote again if public health indicators such as new cases, hospitalizations or deaths increase.

To sense and respond faster, and to learn lessons as you go, continually monitor five dimensions:

|  Workforce Sentiment |  Workforce Health & Behavior |  Protocol Effectiveness |  Business Need |  External Trends |
|--|---|---|--|--|
| Questions to Monitor | | | | |
| <ul style="list-style-type: none"> • Do employees feel safe? • Are employees engaged and productive? • How has company culture changed? | <ul style="list-style-type: none"> • Is the workforce healthy? • Are there specific areas of risk (team, floor, office)? • Is the workforce following safety protocol? | <ul style="list-style-type: none"> • Do protocols comply with applicable law? • Are employees engaged and productive? | <ul style="list-style-type: none"> • Are we meeting business need in our current approach? | <ul style="list-style-type: none"> • Are cases increasing/ decreasing in the area? • What is the current CDC recommendation? • Are there changes to stay at home regulations? |
| Potential Data Sources | | | | |
| <ul style="list-style-type: none"> • Pulse surveys • Engagement surveys • Focus groups • Offsite attendance • Leave usage | <ul style="list-style-type: none"> • Self certification • Temperature check results • Leave usage • Social distance monitoring • Location badging | <ul style="list-style-type: none"> • Location certification • Regulatory tracking • Protocol audits • Employee feedback | <ul style="list-style-type: none"> • Business demand • Time to delivery • Backlog | <ul style="list-style-type: none"> • CDC website • State/ local health department |

Enterprise risk management leaders are:

- Helping identify someone in charge of the company response plan, a “risk owner”
- Monitoring whether the level of risk of reopening is changing
- Reporting risks related to reopening to the executive risk committee and the board of directors

n = 63 assurance leaders

Source: 2020 Gartner Q2 Emerging Risks Survey

Returning to the Workplace?

Plan effectively for bringing your employees back to work and identify the critical steps that your team should consider with our guide.

- Which employees should come back, and when?
- What does a “return” to the workplace look like?
- Who should be part of the return-to-work team?

Includes **Return to Work Checklists** for:

- Corporate Real Estate
- Legal & Compliance
- Finance
- Privacy
- Human Resources
- Risk Management

Prepare a smooth transition for your employees. Visit:

gartner.com/en/insights/an-executive-guide-to-returning-to-the-workplace

Lasting Redeployment Lessons From the COVID-19 Crisis

by Eliza Krigman, Kaelyn Lowmaster
and Sara Clark

with contributors Reuben Harwood and Elyssa Klett

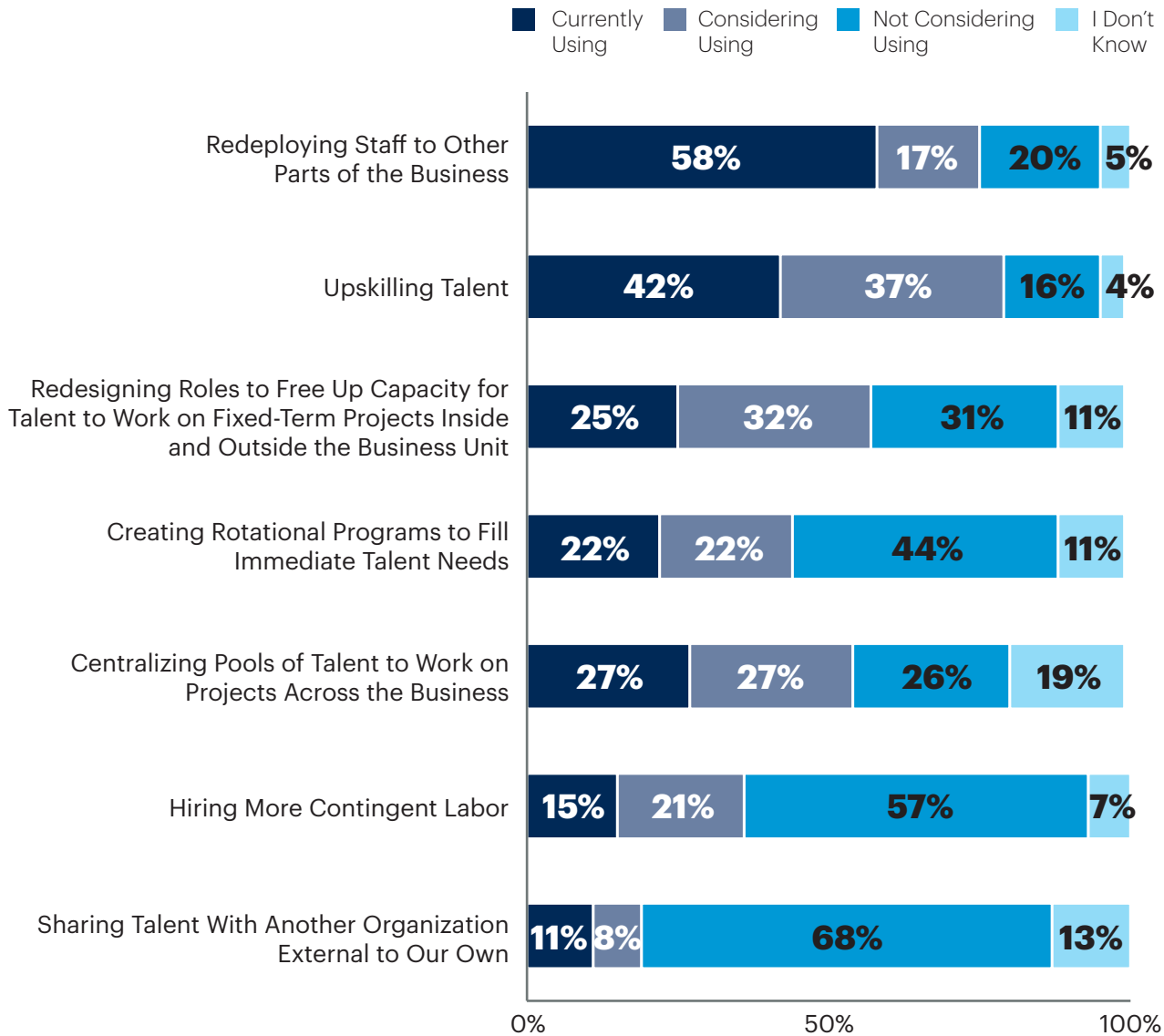
Out of necessity, companies have discovered just how dynamic their internal talent pool is. Businesses have long wanted to make better and more creative use of their in-house labor market as automation takes hold and skills needs shift. But they have struggled to execute on it — the inertia to stay in silos is strong.

Now that the pandemic has ripped apart the seams of resistance, companies should capitalize on what worked and prepare themselves for more redeployment.

The sudden lockdown and recession caused by the outbreak pushed companies to shift employees around in unexpected ways. Internal auditors helped finance track cash flow and support IT in the transition to remote work, HR recruiters staffed the company's hotline, sales personnel offered customer care,

The CAO already had a talent profile of the internal audit team, which helped him map skills, abilities and experience to business needs and requests for support. It also helped that contacts in the business were requesting specific people they had worked with before.

Figure 1. Talent Strategies in Response to COVID-19/Economy
Percentage of HR Leaders



n = 99

Source: 2020 Gartner Talent Strategy and Budget Shifts Quick Poll

Note: Percentages may not add up to 100% due to rounding.

marketing gave support to account managers, and the list goes on. These represent just some of the extraordinary redeployment tales shared with us this year. It's become the norm. Nearly 60% of organizations have moved talent to other parts of the business, according to our May Talent Strategy and Budget Shifts Quick Poll.

The virus's impact on the way we work — or don't — along with the ongoing shift to digital business initiatives will require more internal mobility. To make it work well, company leaders need to create:

- A culture of redeployment
- Dynamic systems to manage organizational skills from both the supply and demand sides

Create a Culture of Redeployment

Organizations with successful redeployment efforts involve a broad ecosystem of stakeholders. Traditional leaders in this space, such as talent management as well as learning and development, should offer guidance and support as needed; they must also avoid becoming a bottleneck. Active engagement from senior leadership, managers and employees is essential, whether it's for a short-term project or a long-term realignment of personnel. Each of these constituencies has a different set of responsibilities:

- Senior leaders decide on and oversee strategy
- Managers accept and actively engage internal talent transitioning from elsewhere
- Employees seek clarity and support to remain productive throughout transition

Internal Audit at One Company Turned on a Dime to Staff Other Teams During the Crisis

The internal audit department at a consumer products company redeployed all 25 members on a single day in March off the back of quick cooperation between staff, management and top brass. When it became clear that travel restrictions and resistance from the business would make the second quarter audit plan impossible to conduct, the chief audit officer (CAO) proposed to the CFO that the team help other parts of the company.

The CFO was happy and acted fast — clearing the proposal with the audit committee chair and asking finance leaders that morning to reach out if they could use help. Casual conversations with other executives in the office that day identified more areas where internal audit could contribute.

By that evening, assignments were ready, mostly in finance areas to support the increased focus on cash management in the early days of the outbreak. The CAO already had a talent profile of the internal audit team, which helped him map skills, abilities and experience to business needs and requests for support. It also helped that contacts in the business were requesting specific people they had worked with before.

When the CAO approached his staff about the sudden change, he explained that he would prefer to ask everyone what they were interested in and where they would like to go, but that the crisis necessitated some “top-down” decision making. To do what's best for the business meant that employees didn't “have a choice or a voice right now,” he said. The CAO emailed the assignments on that first evening and told everyone that a more detailed discussion would be on the agenda at their team meeting early the next morning.

Broadly speaking, the CAO received positive feedback. Some employees had tough questions about whether it would be better if a few people should stay back to “keep the lights on” at the internal audit function; some asked what would happen to their projects. The CAO's response: “It's not time for half-measures. Let's go all-in.”

With the business facing severe disruption, the CAO was actually able to provide more “clarity and certainty” about the redeployment plan than about the schedule for the “internal audit plan.”

An important part of that process was “setting clear expectations for the team about what this means,” the CAO told us, by offering clarity to employees about who their assignment line manager would be and the timeline, in this case three months. It also meant confirming three people — the employee's internal audit line manager, the assignment line manager and the employee — understood the objectives and commitments for that time period.

“Don't go in with the auditor mentality,” the CAO told the team. “Go and learn.” He emphasized that team members should build trust and credibility at the start by “getting the brief and delivering the brief” for their first assigned tasks.

The internal audit staff stayed connected during their rotations with a virtual campfire, charades and a happy hour featuring a pub quiz. During an online team meeting, the auditors talked about what they had been doing and where they had been redeployed.

Blue Shield of California’s Top Managers Rolled Out a “Talent Bridge” for Long-Term Reassignments

Engagement and communication from leadership is just as, if not more, important in long-term reassignment of personnel. To prepare for the rollout of its Talent Bridge redeployment program, Blue Shield of California, a healthcare insurance nonprofit, executed a series of integrated education and communication initiatives at all levels of the organization.

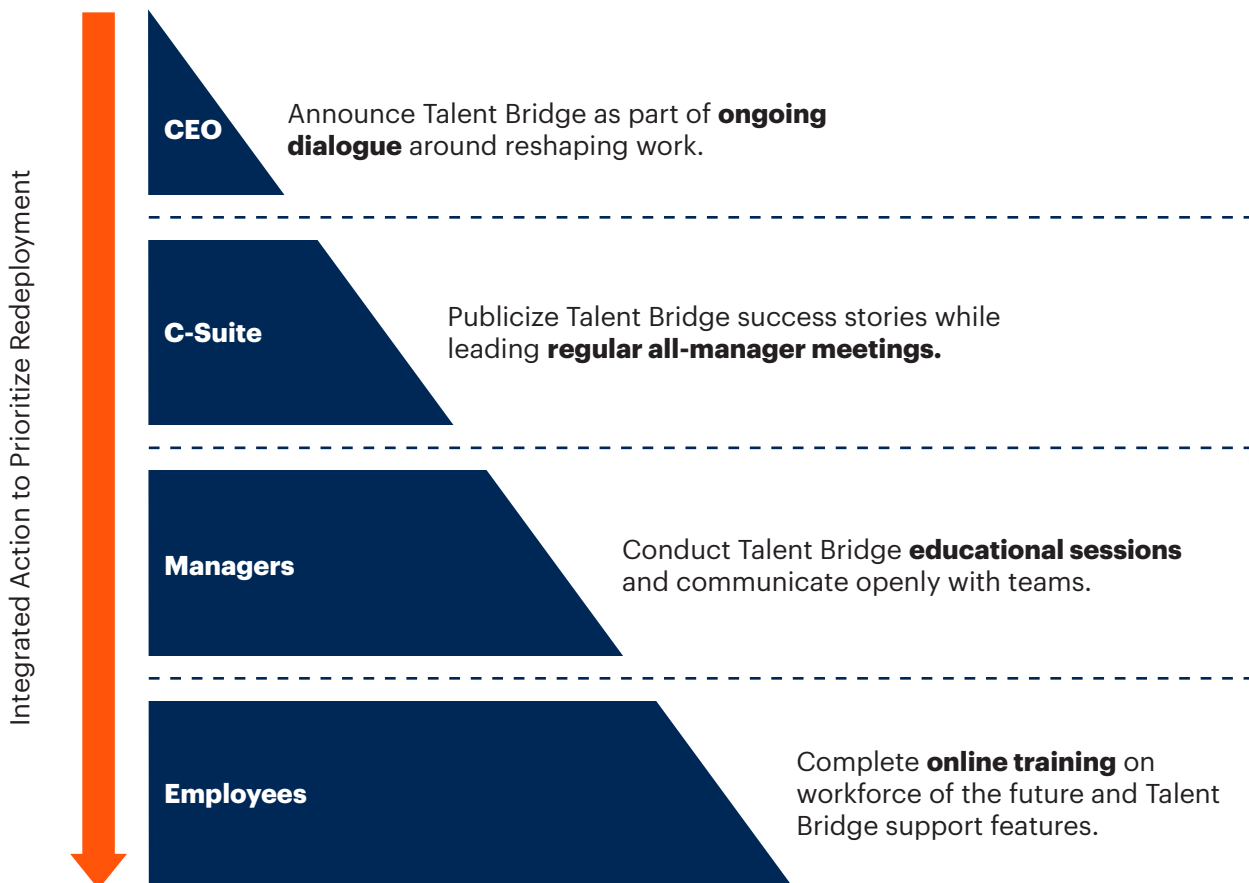
Blue Shield developed Talent Bridge to help employees throughout the organization find new roles when they are displaced by workplace changes, such as digital transformation. The CEO got the rollout started, announcing redeployment as the default option for all

displaced employees as part of an ongoing dialogue around organizational transformation.

The chief human resources officer and other senior leaders then began to share early Talent Bridge success stories in regular all-company manager meetings. In turn, those managers led education sessions with their teams and provided resources about the program. Finally, the members of those teams completed regular training on Talent Bridge specifically and on broader issues related to workforce development. The training was designed to help them understand the full context for pursuing redeployment and the benefits it might have for their careers.

As a result, all stakeholders were equipped with the necessary resources to fully participate in the Talent Bridge process (see Figure 2).

Figure 2. Senior-Level Engagement and Integrated Action to Instill Commitment to Redeployment



Source: Adapted From Blue Shield of California

Better Skills Management: Gaining Visibility Into Supply and Identifying Demand

Moving talent internally involves a juggling act: identifying available skills, talent needs and matching the two sides in real time. There are a lot of ways to obtain the relevant information, and organizations must find the method that suits them best.

Gaining Better Visibility Into Internal Skills

When asked what made it possible to redeploy staff quickly, several leaders told us that a skills inventory proved to be an indispensable tool and that a lack of one can be a barrier. Some organizations already had one and others created one quickly.

While an inventory can be useful, leading companies are moving toward a more responsive system to manage the supply and demand of skills. Schlumberger, a Paris-based oil and gas company with more than 100,000 employees, created a career portfolio “backpack” for all staff. It encompasses who employees are, what they know, where they have been and the support they have available to them. The six elements of the career portfolio are competencies, behaviors, exposure, experiences, personal brand and network.

The career portfolio backpacks are updated on a regular basis and, figuratively speaking, travel with employees throughout their careers at Schlumberger. The backpacks are accessible through the company’s online career platform. To lower the burden of collecting the information, some of it is automatically fed into a website that employees and managers can access and update.

The details come from common documents like internal résumés and performance reviews, but also more novel sources, like calendars, coaching data and mentoring conversations. Employees can make updates themselves but, to prevent misrepresentation, managers have approval rights and can also edit information about a direct report.

A major benefit: The backpack creates transparency about employee skills, making it easier to fill critical roles and help direct staff to capability needs.

Dynamic Skills Management

To create a more dynamic way to manage organizational capabilities, consider creating a skills-sensing network. Under this system, HR coordinates a group of cross-organizational stakeholders with the purpose of identifying, addressing and monitoring enterprise skills.

Network membership changes to fit strategic needs, embraces ambiguity, prioritizes action over perfection and frees up HR to move fast on the things it knows and can anticipate.

To figure out who should be in this network, consider the following questions:

- Who can offer expertise?
- Who should be included early?
- Who will be most affected by this skills change?
- Who will be responsible for funding reskilling or redeployment solutions?
- Who would sense change in skills needs first?
- Who stands to benefit?

Fundamentally, this is about sharing responsibility for skills management throughout the organization. For example, a network member from a business unit brings local knowledge of skills supply and demand, and HR members can contextualize this information using their knowledge of global talent strategy and expertise in HR best practices.

To remain nimble, it’s not necessary to involve every viewpoint at every step. Different combinations of the network keep the strategy flexible enough to respond to business needs at the pace of change (see Figure 3).

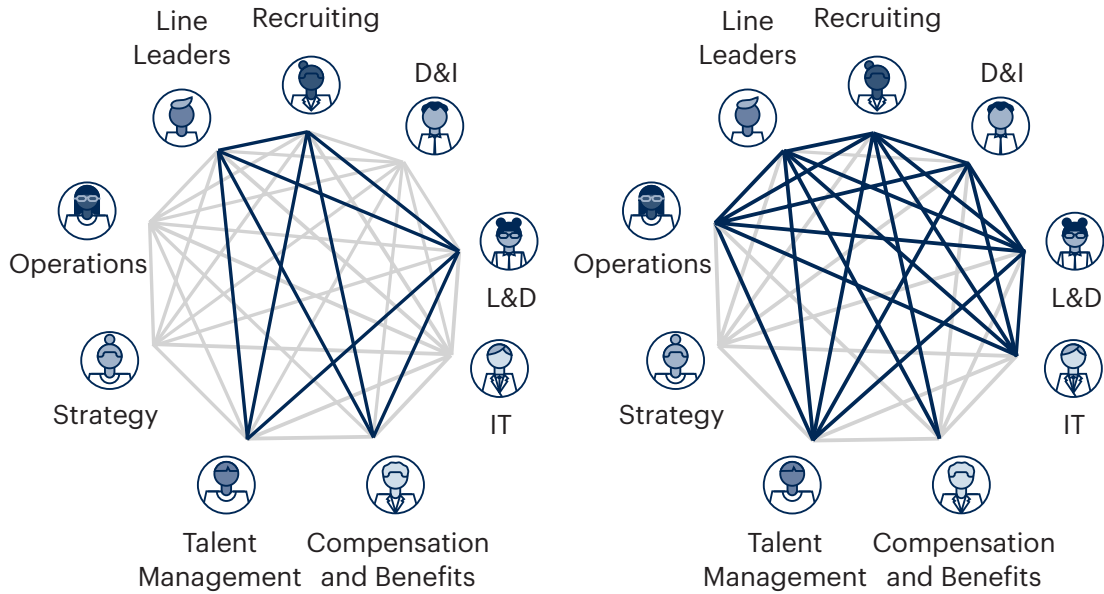
Lloyds Banking Group leverages a cross-HR team that partners with business unit representatives to sense new requirements in real time and builds in opportunities to course-correct. Members of the cross-HR team meet weekly, monthly and annually with relevant stakeholders to revisit and adjust their plans, enabling the workforce to maintain focus on meeting the actual — not predicted — needs of the organization.

Matching Skills to Needs

Ways to reallocate talent run the gamut from informal conversations, such as the ones the

Figure 3. Flexible Network Members for Identifying and Addressing Skills

Illustrative



Strategic Goal

Identify Skills

Address Skills Needs

Typical Outputs

- Identify trends in business skills needs.
- Track market supply of in-demand skills.
- Find underutilized pockets of skills.
- Adapt existing learning content to current need.
- Create hybrid build, buy and borrow solutions.
- Leverage skill adjacencies to quickly pivot skill sets.

Source: Gartner

management team at the consumer goods company had when the pandemic hit, to systems that reveal matches, such as the skills-sensing network at Lloyds Banking Group.

At Qantas, HR uses a combination of internal marketing and leadership insight to pair skills to the function’s needs. This helps the company move HR talent so that the initiatives that are top priority at any given time receive the skills they need when they need it.

HR leadership, along with business partners, assess the importance of projects at a monthly staff meeting to decide where to distribute resources. During that meeting, leaders discuss

whether anyone should be redeployed based on changing needs and priorities, even if it’s before the employee’s current assignment has been completed.

HR advertises its planned projects internally to pools of the function’s available staff, highlighting the combination of skills and capabilities the team will need. The organization relies on a mix of candidate applications and HR leadership recommendations to match employee skill sets with project requirements.

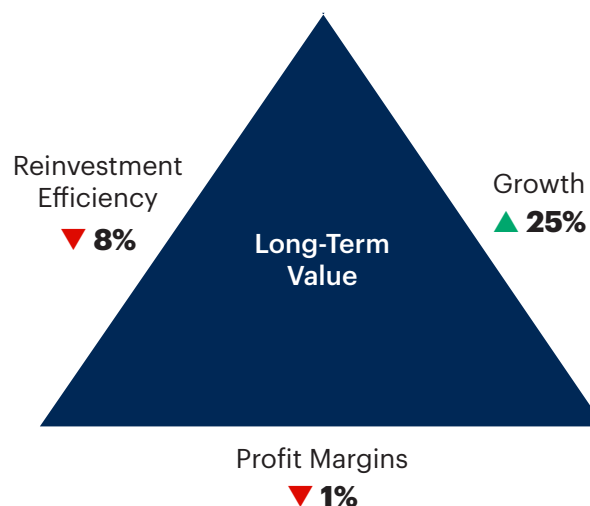
Over a two-year span, HR doubled stakeholder satisfaction.

Prioritize Spending That Differentiates Your Company

by Jason Boldt and Jessica Kranish

Over the past decade, less than one-third of companies earned returns on invested resources above the cost of capital. The problem is not growth — companies have added 25% to sales since 2010.¹ The problem is what the growth costs — companies have become increasingly less profitable, incurring higher operating costs as they expand. They have also spent more to gain incremental sales, driving down reinvestment efficiency (see Figure 1).

Figure 1. Performance on Growth, Profitability, and Investment Efficiency
Change from 2010-2018 Indexed to 100, S&P Global 1200



n = 1,142 global companies

Source: S&P Capital IQ

Note: Reinvestment efficiency is sales divided by invested capital, profit margins are earnings before interest and taxes divided by revenue, growth is revenue growth.

A Period of High Change Makes Getting the Most for Your Money Even Harder

Allocating capital among a diverse set of stakeholders with competing priorities is extremely difficult. Companies pursue growth, profitability and reinvestment efficiency, but different groups have different ways of doing this (see Figure 2).

When it comes to growth, for instance, business leaders define their business’s strategy and identify opportunities, while functional leaders deliver services to support these plans. The CEO, the CFO and top executives — each contribute to these three objectives in different ways — and these roles and activities are all linked, meaning investing or cutting in one place will reverberate elsewhere.

For example, one chief information security officer told us, “It’s cuts to the infrastructure and applications organization that I’m very worried about. I’m very dependent on those groups. As they reduce their spend, and make cuts to staff and contractors, that makes them less available and creates more bottlenecks to what we’re trying to do.”

When you add in an unexpected event like a pandemic — which, for some industries, required immediate changes and cost-saving efforts — managing these competing aims becomes impossible.

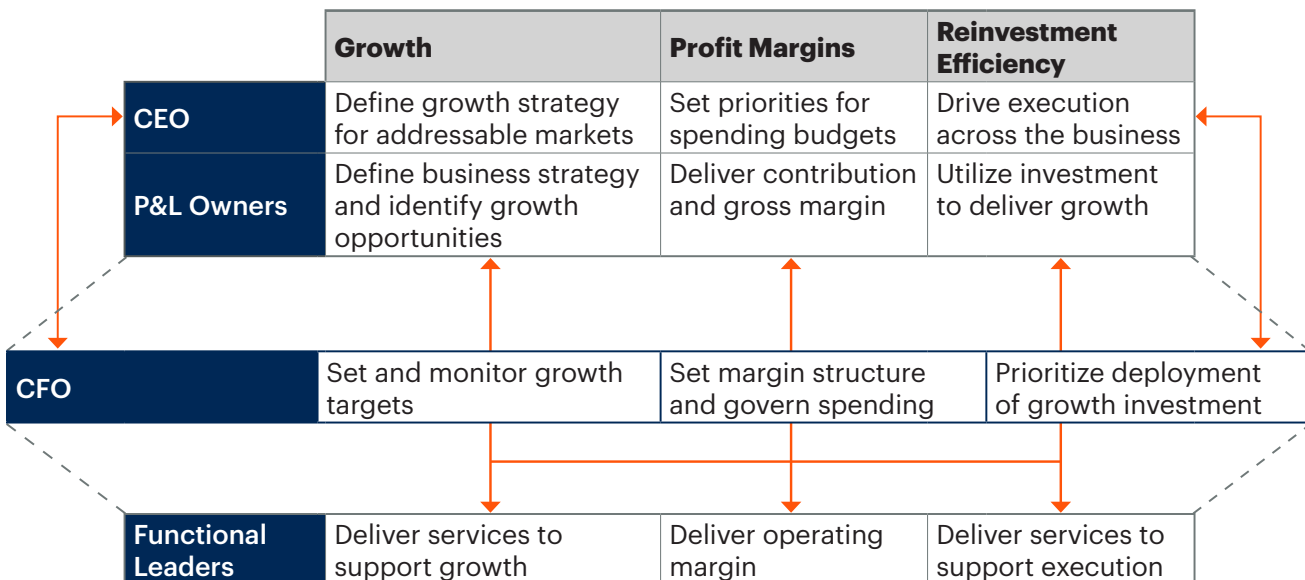
Efforts to Adapt Will Have You Running in Circles

Most companies are tempted to adjust their investment decisions based on factors like competitor capabilities, addressable markets and industry growth rates. Essentially, they outsource their strategic thinking to peers, industry trends and macroeconomic forces.

It does make sense to be conscious of industry disruption, new technologies, geopolitical shifts and the seismic shock of COVID-19. But overweighting the importance of external events is disastrous; it has no impact on your ability to create value as an organization, according to our interviews with hundreds of CFOs in the past year and data on their corporate performance.

When winds of change reach gale force, executives who are overly adaptive end up running in circles as they sense and respond and try to absorb information. And trying to

Figure 2. Long-Term Value Realization Role Clarity and Interdependencies
Illustrative



Source: Gartner

match what your competitors are doing won't help: At best, you'll equal their results, not surpass them.

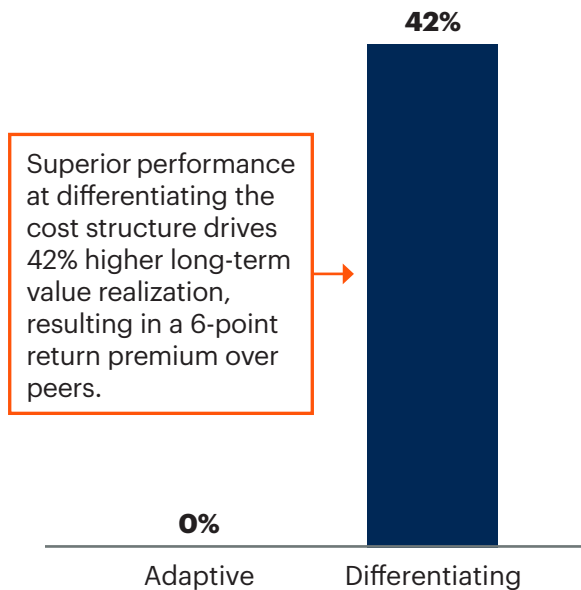
The resulting vicious cycle leads your company to risk getting left behind.

Spending on Differentiation Drives a 42% Higher Chance of Achieving Returns

Forward-looking executives have weathered the pandemic and stayed the course. They disproportionately invest to create and enable points of differentiation and secure strong internal management alignment. These executives drive a 42% higher probability of long-term value realization, worth an average of 6 percentage points of excess return beyond peers (see Figure 3).

Figure 3. Impact of Cost Structure on Long-Term Value Realization^a

Relative Impact of Moving from 10th to 90th Percentile



n = 55 CFOs

Source: Gartner CFO Cost Structure Survey

^a Long-term value realization is a measure of an organization's ability to realize value over a 3-year period: expanding margins as much as possible, fully translating growth bets into profitability, taking on enough risk, creating capacity to pursue growth opportunities, and pursuing growth without creating excess complexity.

Leading CFOs concentrate on:

- **Aligning assets to differentiating opportunities.** This involves assets both tangible (like access to patents and technology) or intangible (their company's brand or employee value proposition). They help build a foundation from which their companies can capture growth opportunities.
- **Creating differentiating capabilities.** They don't seek to develop where competitors are stronger; they seek to boost capacity and ability that a rival would struggle with or fail to build.
- **Securing strong management alignment on spending on differentiators.** When costs are highly interdependent, companies can more effectively invest in what makes them stand out when all managers — midlevel and senior — understand which costs they need to protect.

Investing in these areas means the business doesn't have to scramble to react to changes in the external environment as they occur. Instead, the company can stay focused on spending to stand out from the pack.

All business and functional leaders have a role to play here. The entire management team needs to view budgets through a lens of differentiation to make this work.

How Verizon and Allianz Life Overcame Two Barriers

Companies that pursue differentiated investing will face two barriers: getting the organization to act together and uncovering the operational constraints that prevent initiatives from being successful.





To jump the first hurdle, the business at Verizon helped finance understand links between spending to prevent budget changes that could inadvertently hurt a point of differentiation.

As a starting point, finance used a scorecard to determine which costs are most complex. Questions include:

- Is the cost incurred or shared throughout the company?
- Does the cost create a point of differentiation?
- Do changes in the cost category affect or rely on other costs?

Figure 4. Expertise Needs Assessment for Complex Costs

Illustrative

| |  Strategic |  Operational |  Financial |  Process Design |
|-----------------|--|---|---|--|
| Expertise Needs | How costs affect points of differentiation or functional value | How costs support customer and stakeholder needs | How costs impact margin and financial strategy | How processes interact across the organization |
| Skills | <ul style="list-style-type: none"> • Influence • Credibility • Strategic thinking | <ul style="list-style-type: none"> • Customer and stakeholder insight • Resource allocation | <ul style="list-style-type: none"> • Financial modeling • Project management | <ul style="list-style-type: none"> • Design thinking • Six Sigma/Lean • Process reengineering |
| Potential Roles | <ul style="list-style-type: none"> • Senior business or functional leader • HIPOs | <ul style="list-style-type: none"> • Operational or functional budget holder | <ul style="list-style-type: none"> • Senior finance staff • Business embedded finance | <ul style="list-style-type: none"> • Certified experts in functions or the business |
| Responsibility | Own the cost category and develop cost optimization strategies | Determine how to implement changes and develop cost optimization strategies | Govern process to ensure positive impact on margin | Provide expert support and generate ideas |

Source: Adapted from Verizon

With that information in hand, finance then considered types of expertise needed to optimize the most complex costs, using the framework in Figure 4.

Rather than making decisions itself or walking business leaders step-by-step through the process to reduce costs, finance confined its role to offering targeted financial guidance to business and functional leaders when they needed it. It was the business leaders who determined where to invest or cut based on points of differentiation. This meant those with the best specific knowledge about a particular cost made the decisions that affected it.

Finance promoted collaboration by facilitating the sharing of best practices among cost owners and encouraging adoption of successful past strategies. Meanwhile, finance made changes internally, too, protecting costs that drove points of differentiation.

The Result for Verizon

Two years into its four-year, \$10 billion initiative, Verizon has achieved \$5.7 billion in cumulative cost savings. The finance team also now is able to spend more time making sure costs drive strategy, and the decision-making process on reinvesting resources got faster, too.

Finance-business collaboration is also critical for addressing the challenge of uncovering the operational constraints that limit success.

Allianz Life had to determine exactly where operational limits would erode the effectiveness of allocations, because overinvesting reduces shareholder returns and leads to less efficient reinvestment, while underinvesting means competitors can more easily copy what you're doing, negating any advantage.

This is a contrast to the typical way of doing things. Rather than justify their proposed costs against external benchmarks, business leaders

helped finance understand the upper and lower bounds of spending involved with a particular initiative. For instance, how low can spending drop before you won't be able to achieve what you need to? And what's the most you can spend to reach a point where if you spend \$1 more, it's wasted money?

Allianz Life answered these questions with the "Rule of 10s." Finance posed two questions to executives: What would happen to a project if you could only spend 10% of the budgeted amount — and what would happen if you could spend 10 times what you were allocated (see Figure 5)? When business leaders are realistic about the constraints they face, this process can pinpoint the minimum and maximum the

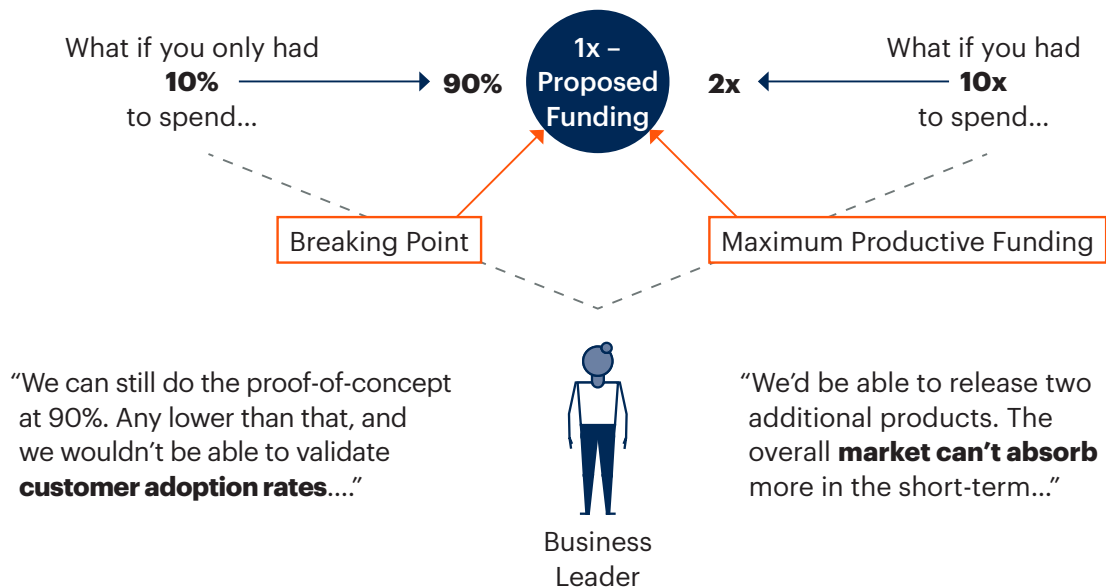
business can productively spend on each initiative. This way, the company can make the right decisions about how to invest.

The Result for Allianz Life

Allianz Life increased its investment in strategic points of differentiation at greater levels each year while simultaneously decreasing its spending in areas that didn't help the company stand out.

¹ S&P Capital IQ (financial data), Aswath Damodaran at New York University (cost of capital data). Figure calculated from the percentage of S&P Global 1200 earning return on invested capital (ROIC) greater than industry weighted cost of capital (WACC), 2010-2018.

Figure 5. Rule of 10s Cost Assumption Testing
Differentiating Project A



| | Lower Bound: Breaking Point | Upper Bound: Maximum Productive Funding |
|---------------------------------|--------------------------------|--|
| Factor | 90% | 2x |
| Business-Identified Cost | Proof-of-concept marketing | Product development |
| Operational Constraint | Adoption rate | Market capacity |

Source: Adapted From Allianz Life

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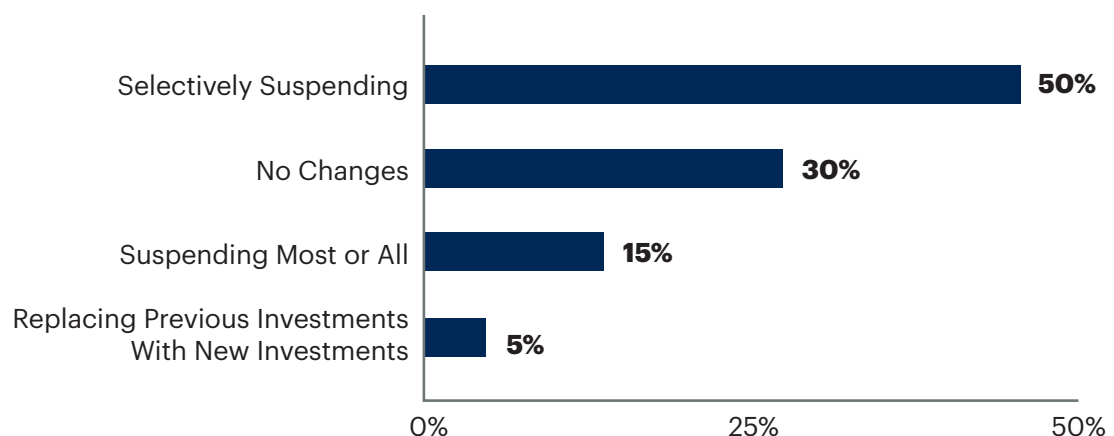
by Marc Kelly

As companies wrestle with a post-COVID-19 reality, boardrooms buzz with discussions about how best to build toward future growth.

Many undoubtedly will congratulate themselves on the tough choices made these past few months. Nearly three-fourths of companies (see Figure 1) have worked to reprioritize, shrink and delay long-term investments to provide the flexibility needed to seize new opportunities after the pandemic. Unfortunately, most of the difficult resourcing decisions made

recently — regardless of quality — will do little to boost companies' long-term prospects. While executives have done the hard work of reallocating investment, the very structure of their long-term initiatives puts long-term success at risk. What's worse is that in many cases, these companies didn't have to cut as many initiatives as they first believed.

Figure 1. CFOs' Changes to Long-Term Growth Investments Since the COVID-19 Crisis
Percentage of Respondents *Outbreak*



n = 169

Source: 2020 Gartner CFO COVID Forum

Without significant adjustment to the design of long-term initiatives, the average \$10 billion company can expect to lose out on up to \$100 million in annual revenue compared to best-in-class firms.

New Headwinds Put Resourcing for Initiatives at Risk

Resourcing long-term initiatives has long been challenging, regardless of market conditions. Whether from undue risk aversion or short-term business pressures, “strategic” initiatives always seem to be first for the chopping block and last to be restarted.

Only through strong guidance and the tireless effort of executive champions and strategy leaders were these initiatives able to cut through the headwinds blunting forward progress.

Over the last two to three years, however, new difficulties emerged (see Figure 2). Long-term initiatives have transformed into more ambitious redesigns of core businesses, leading to greater complexity in areas that lie outside prior market experience.

For a whole host of reasons, this change makes initiatives much harder to staff, secure capabilities for and fund throughout their lives. Strategy leaders have told us that the resourcing

needs of this new crop of growth initiatives are poorly understood. The result: overinvestment in some areas and underinvestment in others — in turn leading to delays as initiative owners must seek more resources while facing scrutiny for waste elsewhere.

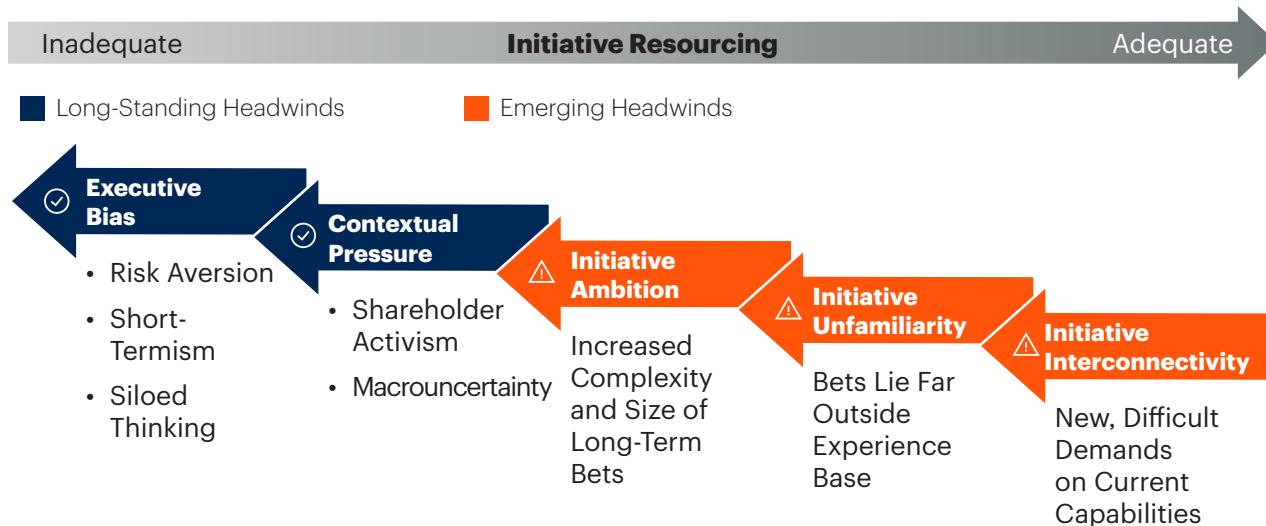
At the same time, early lessons from projects are far more likely to prompt greater and more frequent adjustments to initiative designs, which can quickly invalidate careful planning and critical cross-enterprise coordination. Highly complex team structures and competing priorities prevent the business from meeting the needs of both current and long-term objectives. In total, these headwinds create significant drag as initiatives try to get off the ground and speed toward results.

Poorly Resourcing Long-Term Initiatives Will Cost Your Company Money

It’s unsurprising, then, that most companies say long-term initiatives don’t get the money, staff and/or attention they need to succeed. Poorly resourcing the portfolio comes at a steep cost in the form of missing critical objectives.

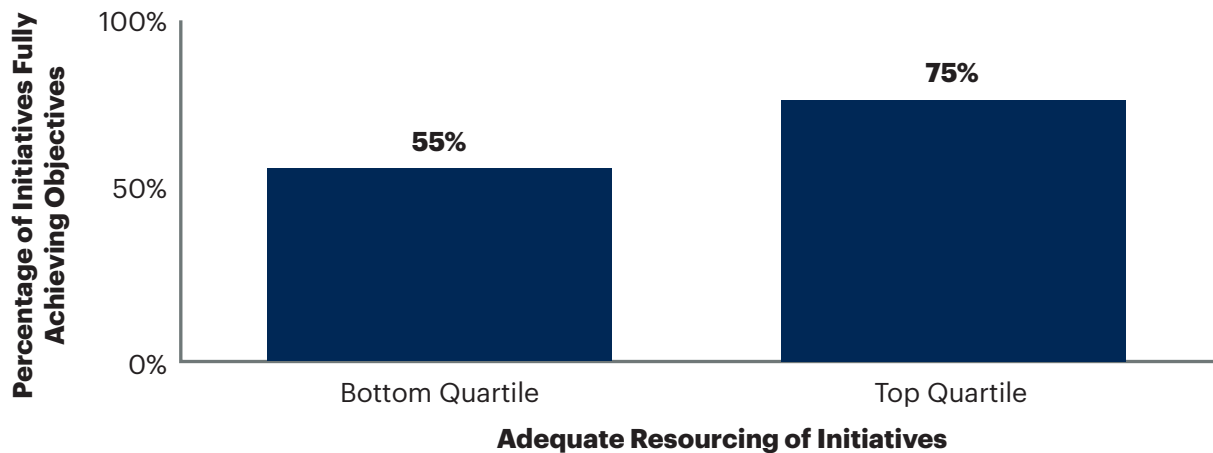
An in-depth analysis of over 100 companies’ long-term portfolios shows that for firms that poorly resource their initiatives, complete

Figure 2. Factors Increasing Resourcing Difficulty



Source: Adapted from Dell

Figure 3. Impact of Resourcing on Achievement of Initiatives' Objectives



n = 131

Source: 2020 Gartner Strategy Long-Term Initiative Resourcing Survey

Note: The difference in the percentage of long-term initiatives fully achieving their financial and strategic objectives is statistically significant at a 95% confidence level. Assumptions are based on the following: a \$10 billion company with a revenue growth rate of 5% per year (the average for S&P 500 companies); a portfolio in which 75% of initiatives fully achieve their objectives; and, for initiatives that don't, 50% of objectives are achieved.

achievement of financial and strategic objectives is largely a coin flip. Those able to consistently fund their projects saw the success rate go up to over 75%.

This difference isn't small. Given the recession, the gap between winners and losers takes on a greater significance. Numerous past studies have shown that firms unable to invest in their long-term future during recessions leave themselves significantly worse off in the subsequent years.^{1,2}

Reduce Drag to Improve the Likelihood of Long-Term Initiative Success

When attempting to keep a growth project afloat, executives typically try to grab the attention of the business by stressing how important the initiative is. Likewise, companies work to get better at prioritizing — aiming to fuel the most critical pieces of the portfolio. In either case, the hope is that by keeping the value of these efforts front and center, staff and managers will make decisions and have the capacity to sustain them — regardless of how difficult the initiative is to execute.

But we found no significant relationship between these tactics and the ability to draw resourcing,

largely because there's no argument to make. Executives roundly agree their companies' plans for expansion are vital. A more effective way to push for a consistent flow of resources is to structure the portfolio differently and eliminate the drag that new headwinds create (see Figure 4).

To minimize these delays, executives should:

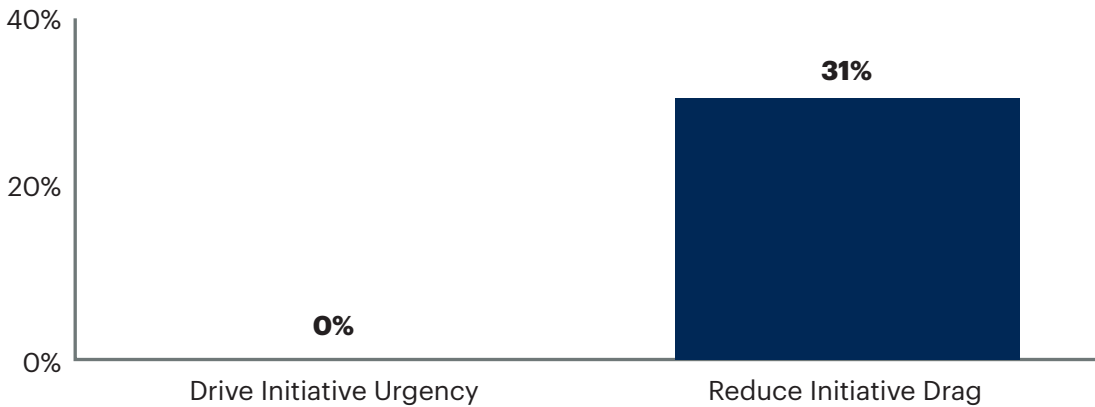
- Design long-term initiatives to reduce the resources required.
- Eliminate conflicts between initiatives and the core business.
- Improve the sequencing of those initiatives to reduce resource conflicts.

Easier said, of course, than done. Limited visibility into effective initiative design or execution-related issues can often prevent companies from even attempting to address drag, leaving it to be managed during execution.

Designing More Cost-Effective Long-Term Initiatives

A lot of issues prevent initiatives from running lean at the start. For one thing, their novelty

Figure 4. Impact of Two Approaches on Adequate Resourcing of Initiatives



n = 131

Source: 2020 Gartner Strategy Long-Term Initiative Resourcing Survey

Note: The graph measures the percentage of maximum improvement in adequate resourcing of initiatives as a result of moving from 25th to 75th percentile performance of each driver. The multivariate regression model explained 22% of the variance.

deprives leaders and their teams of meaningful comparisons to evaluate design or benchmark performance. Invariably, team leaders will overbudget in some areas (such as hiring a data scientist instead of a software developer) and grossly underestimate in others (such as miscalculating the required size of the team that compiles needed data banks). Lessons come only through hard-earned experience, but regardless of how well teams adapt, dealing with these challenges will slow them down.

So, don't wait for them to arise. Better planning and tracking can go a long way. Progressive companies have found that significant information exists within the organization to help improve design. It's just trapped.

To unlock it, companies must do more than just bringing people together to talk. Address the root causes of how the details got stuck in the first place.

For stakeholders and executive leaders trying to provide input and pressure-test initiatives, past experience may not seem to apply to a push into uncharted territory. And project teams can be culprits, too — they may be blind to

execution patterns and have trouble admitting to problem areas.

Leading firms move away from standard business cases and initiative proposals toward more visual frameworks. These companies outline the connection between value and the requirements to capture that value along with the necessary capabilities, assets, processes and partners. They provide a clear, early picture that allows for better pressure-testing of key assumptions underpinning the initiative, enabling the company to isolate and eliminate unnecessary waste.

Second, these organizations use expanded metrics to assess underlying initiative health measures that better indicate likely causes of initiative failure. And they set up a reporting process that rewards candor.

Eliminating Conflicts Between the Initiative and the Operating Model

Nearly two-thirds of 120 strategic initiative leaders we polled in our 2020 Business Partner Panel Survey believe their initiatives were significantly impeded by conflicts with the company's current operating model.

Yet strategists expend a significant amount of energy on building sufficient central oversight capacity and attention. They consider how to harmonize the needs of future-focused efforts and how the company works on a day-to-day basis, the governance mechanisms, business processes and procedures, org structure, stakeholders, etc. These adjustments, however, rarely remain stable.

The top-down approach for alleviating conflicts has its limits. While good for predictable and periodic friction, orders from above are too structured for smaller, ad hoc issues that require localized response.

For most companies, slowdowns caused by conflicts with the operating model are poorly defined and tough to identify — so, this battle is hard to fight in a systematic way. To better recognize and diagnose sources of initiative drag, progressive strategists create a model that concretely frames a common language for how to discuss operating model conflicts and evaluate potential solutions.

Improving Sequencing of Initiatives to Reduce Resource Conflicts

Regardless of the detail or deftness of early planning, new revelations will require pivots in long-term initiatives. At each pivot, long-term initiatives lose precious time.

In addition to improving initiative planning and cross-enterprise coordination, leading companies have also worked to improve their ability to plan for failure. These firms focus on a number of characteristics of the pivot process. Upfront, initiatives are rearranged to break down more easily so resources can be more quickly shifted. During execution, companies have worked to reduce the time required to resequence initiatives.

¹ "Efficient Growth—Full Research Findings"

² "Roaring Out of Recession," Harvard Business Review.

How One CFO Is Laying the Foundation for Postpandemic Growth

by Oana Lupu

Periods of disruption offer functional leaders the opportunity to mold their companies into efficient growth leaders.¹ Organizations that made bold capital investments during the 2008 financial crisis generated significantly higher shareholder returns in the recovery phase compared to their peers.²

Kevin Cornett is the CFO of ZO Skin Health, a maker of medical-grade skin care products, including over-the-counter and prescription pharmaceuticals sold by dermatologists and other cosmetic physicians in more than 100 countries. Over the course of his career in finance and management consulting, he's seen firsthand that the choices companies make during downturns shape their trajectories for years to come. Recognizing how high the stakes are during the lockdown, he's been keeping two questions front and center when making decisions with the leadership team:

- How do we want to come out of this crisis from a market perspective?
- How can we balance the need to protect cash and market share in the short term with the need to invest for growth in the long term?

This way of thinking aligns with our postpandemic planning framework — a tool that helps executives reimagine their company's strategic priorities for the “new normal.” For each

revenue-generating area of the business, five possible outcomes exist (see Figure 1). Compared to prepandemic levels, parts of your company (e.g., business units, product lines, delivery channels, etc.) will do one of the following:

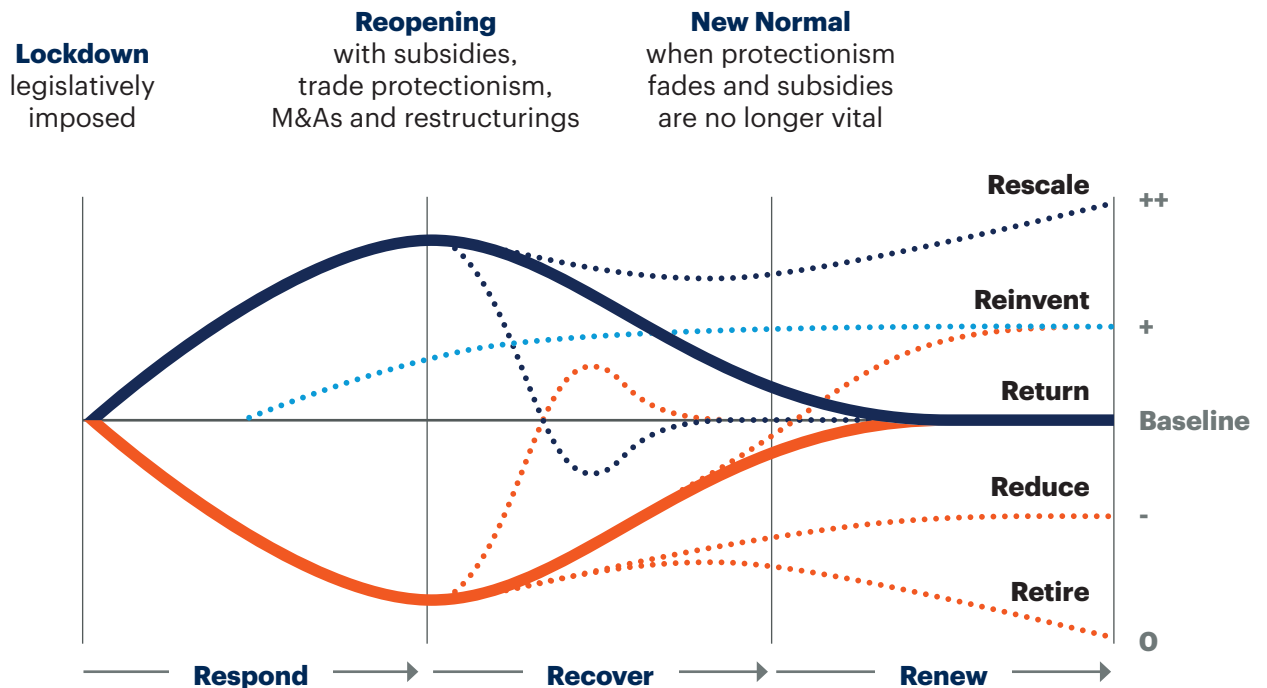
- Generate more revenue (**rescale**)
- Generate new revenue (**reinvent**)
- Generate the same amount of revenue (**return**)
- Generate less revenue (**reduce**)
- No longer generate revenue (**retire**)

CFOs and their executive teams should identify areas to lift or sustain, and they should consider where to reduce or retire elements of the business. Imagining how different parts of the company will adapt to the postpandemic reality can inform the strategic resource allocation decisions CFOs make today.

A Vision of ZO Skin Health in the New Normal

ZO Skin Health sells its products through medical offices and through an e-commerce site that is

Figure 1. Postpandemic Planning Framework



Source: Gartner

a partnership between ZO Skin Health and its physicians. Cornett told us that he and his CEO believe that coming out of the pandemic:

- **E-Commerce Revenue Will Rescale.** People will continue to enjoy the convenience of online shopping, so this channel will likely account for a higher portion of revenue. The company is looking to increase online sales in the U.S. and expand e-commerce internationally, starting with Canada.
- **Brick and Mortar Revenue Will Reduce as a Percentage of Total Revenue.** Clients who avoided their doctor's office during the lockdown may choose to shop online more frequently. The company expects in-person sales to increase incrementally in the new normal, but not fast enough to keep up with the projected growth in online sales.

ZO Skin Health is watching customer behavior and the macroenvironment to test whether these two beliefs continue to hold true. CFOs must monitor business metrics closely, be flexible and adapt as health and economic conditions evolve.

How Picturing the Postpandemic Reality Helped Inform Decisions

This process of monitoring and projecting has informed Cornett's choices about how to balance survival with growth, and it's helped him explain the rationale behind his recommendations to the CEO. For example, the company decided to:

1 Prioritize Investments in E-Commerce

ZO Skin Health had three major IT projects planned for this year: a new website with improved e-commerce capabilities, a warehouse management system and a business intelligence solution.

New website: Because online sales are expected to play such an important role in the new normal, funding for the e-commerce project continued as planned. The company is launching a new website designed to improve reliability in response to higher web traffic and to support international expansion plans.

Warehouse management system: The rollout of this system was delayed for a few months to

prevent burnout among warehouse staff, who are adjusting to the increased volume of smaller packages from online orders.

Business intelligence system: This has been put on hold to preserve liquidity. While room for improvement exists, management decided current data and analysis capabilities are sufficient.

2 Offer Free Shipping

It may seem counterintuitive to take on new costs at a time when everyone is trying to reduce existing ones. But Cornett believes this decision was essential to boosting online sales in the near term and supporting the rescaling of e-commerce over the long term. He has found ways to make up for these additional costs by controlling operating expenses. The company is considering whether to make this a permanent incentive.

3 Retain Sales Staff and Introduce Drop Shipping

Even though sales in doctors' offices will likely decrease as a percentage of total revenue in the new normal, they will still play an important role in generating revenue and raising brand awareness for the company. And Cornett realized that to protect as much of its share of that market as possible, the company must be proactive.

To preserve its physician-sales rep relationships, which are crucial to the success of its business model, ZO Skin Health decided to keep all of its sales representatives. The sales team quickly adapted to serving physicians remotely. The staff has been conducting calls and virtual education webinars instead of making in-person visits. The reps have also started using social media to target patients, which has helped boost revenue.

ZO Skin Health also introduced a drop ship program so that doctors don't need to mail products from their homes while their offices are closed. Taking over this responsibility had downsides for the company: The process is high-touch, and warehouse workers must manage a much higher volume of smaller packages than they used to. But the company realized that helping physicians maintain their businesses and free up time for patients would build loyalty and generate sales.

4 Rightsize Staffing in Company-Owned ZO Skin Centres

ZO Skin Centres, a line of hybrid spas and medical clinics, are an important part of the brand, so the company is not planning to retire them, even though in-person product sales will be lower after the crisis.

When these U.S. facilities closed, ZO Skin Health furloughed its hourly employees. This is the only labor force reduction the company has made. It let the company adjust staffing levels in response to the sudden drop in demand. Hourly employees qualified for expanded unemployment benefits provided by the federal government during the pandemic. But each location's salaried manager is still on board — the manager's role and institutional knowledge will be as important in the new normal as it was before the pandemic. In the meantime, managers have temporarily shifted their responsibilities to include taking orders by phone, managing curbside pickup and planning the rollout of safety protocols for reopening when the time is right.

Early Evidence of Success

Cornett said he believes the decisions made early in the crisis have laid the foundation for long-term growth. ZO Skin Health's initially pessimistic pandemic revenue projections have not been realized, thanks to a sharp increase in online sales, the introduction of drop shipments, and the ability to service existing customer and physician accounts virtually. The April launch of a new sunscreen product exceeded pre-COVID-19 sales forecasts. And some physicians who had previously turned down the opportunity to partner with the company have opened new accounts after competitors who laid off sales reps became difficult to reach, Cornett told us.

To shape the company's path forward, ZO Skin Health's leadership team will continue to revisit assumptions and incorporate lessons learned into strategic decisions.

¹ Efficient Growth Behaviors to Begin Modeling During the COVID-19 Downturn

² Recommended Cost Optimization Strategies and Tools for Finance Leaders

The Pandemic, Protests and a Test of Corporate Commitment

by Laura Cohn

with contributors Jessica Kranish, Oana Lupu, Laura Reul, Steve Shapiro and Dian Zhang

COVID-19 and a renewed spotlight on persistent racism are putting last year's high-profile corporate pledges to benefit society to the test.¹ Even as executives move to keep their companies afloat by cutting costs during the downturn, critical stakeholders say they must keep their promises to serve workers, customers, suppliers and the greater good, in addition to shareholders.

Nearly eight in 10 (78%) consumers worldwide expect businesses “to act to protect employees and the local community” during the pandemic, according to Edelman, the global communications firm.² Investors in control of nearly 25% of the \$74.3 trillion in worldwide assets under management are taking similar stands.³ BlackRock, which had \$6.5 trillion in assets as of March, and State Street Global Advisors, which had \$2.7 trillion, have made high-profile recommitments to sustainable investing.⁴ In addition, a group of more than 300 other long-term investors who manage more than \$9.2 trillion urged companies to provide emergency paid leave to workers and prioritize staff health and safety.⁵ And no wonder: Even during the crisis, investing in environment social and governance (ESG) issues has paid off. Funds that focus on sustainability outperformed traditional funds in the first four months of the year.⁶

Since late May, mass protests against police brutality, set off by the death of George Floyd, expanded into a national and global discussion of the daily discrimination faced by people of color. The debate adds new urgency to employee and public demands for more diversity and inclusion in the workplace. Employees are looking for companies to uphold their stated values, such as Best Buy's announcement of a task force representing varied demographics and seniority levels to recommend ways the leadership and the board can address injustice.⁷

The call to companies on these issues, the muscle behind it and the strategic import are clear. “The question is, will they do it — and how will they do it?” Ioannis Ioannou, associate professor of strategy and entrepreneurship at London Business School, said during an interview with us.

The GC Has the Opportunity and the Duty to Keep ESG on the Board's Radar

The general counsel (GC) has a critical role to play in the answer. First, the GC has ample opportunity right now. Legal leaders tell us they are communicating with the board more frequently since the coronavirus outbreak so that their latest risk analysis gets to corporate directors quickly. In some cases, briefings occur weekly or twice a week — either at the committee level or with individual board members — and over multiple channels, including teleconference, email and ad hoc meetings.

As an advisor to the board, it's imperative to help its members consider ESG implications — even as they grapple with thorny issues involving cash flow and debt. The GC should help frame their thinking on how to keep sustainability in front of decision makers facing tough choices.

“Every moment in a crisis, there are a thousand microdecisions you have to make,” Davia Temin, president and CEO of management consultancy Temin and Company, told us. “You can make them with generosity, and generosity for your stakeholders, or you can make them parsimoniously.”

Questions and Examples to Prime the Pump for Board Discussion

These four questions will help GCs guide corporate directors:

- What can our company do to protect our employees, customers and suppliers during a crisis?
- How can we tie shifts in our corporate strategy that result from the crisis to our sustainability efforts? Should we be reporting metrics that we're not?
- How can we use our company's resources and capabilities to address the urgent needs of our community and respond to the social environment?
- How can we make sure that crisis management efforts do not interfere with what we intend to do for our stakeholders in the long term?

1

What can our company do to protect our employees, customers and suppliers during a crisis? Unsurprisingly, big companies are best equipped to both manage their own survival and stay true to their ESG commitments. The cash position of large-enterprise companies increased over the past year. The average nonfinancial company in the S&P 500 held \$3.9 billion in total cash and short-term investments in the first quarter of this year, according to S&P Global Market Intelligence. That's a 22% jump from \$3.2 billion in the first quarter of 2019.

JUST Capital, a nonprofit research organization that tracks how companies treat external and internal stakeholders, reported that as of 1 June:

- Fifty-one percent of the largest 100 U.S. employers had cut prices and/or allowed customers to defer payments.
- Seventy percent of them have allowed employees to work remotely with modified schedules.
- Sixty-three percent have instituted health and safety measures for customers and workers.
- Fifty-one percent have contributed to community relief funds.

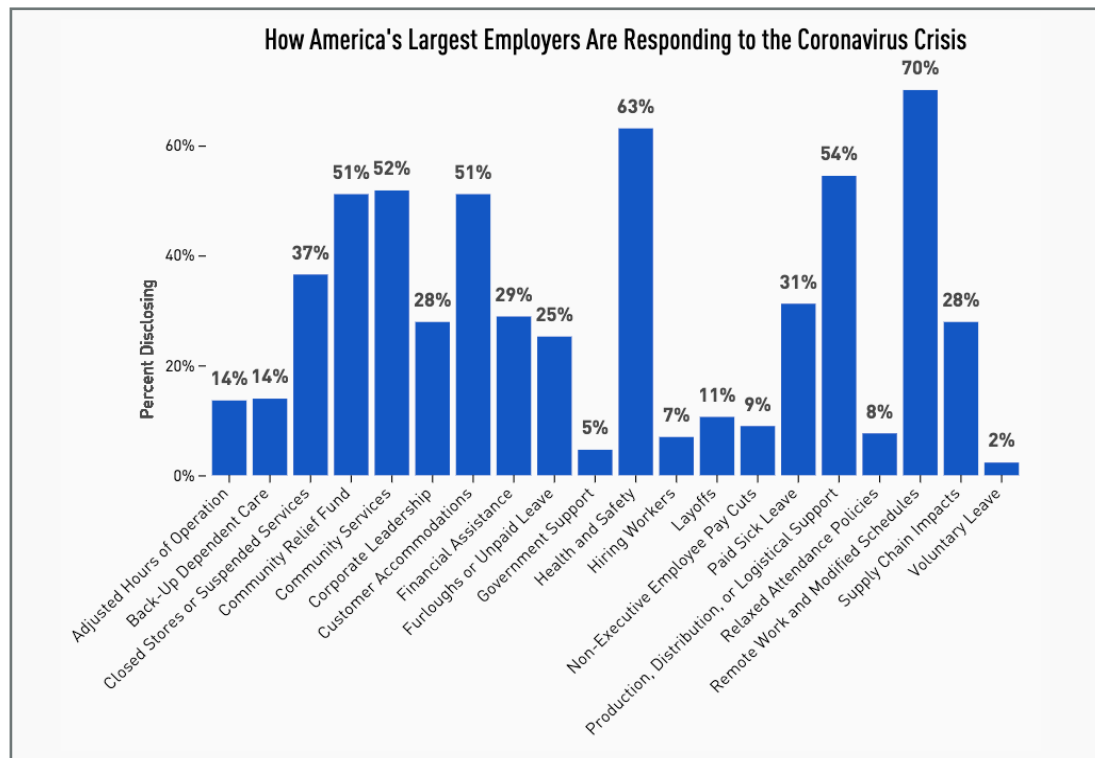
More than a quarter (28%) cut executive pay, a sign that leadership is willing to shoulder some of the burden (see Figure 1).

Revelations of insensitive treatment of employees could damage an employer's brand for years to come. Conversely, those that excel during this time period and demonstrate their commitment to employees will be viewed as top-tier employers for the future.

“It starts with fair wages and benefits and goes to safety and opportunities for inclusion,” Alison Omens, JUST Capital's chief strategy officer, told us. “At its core, it's how a company treats its workers.”

Some organizations are redeploying employees whose work has slowed down rather than resorting to layoffs. For example, internal audit teams are pivoting when travel restrictions delay fieldwork. At Heineken, Global Audit Manager Paul Hamaker assigned auditors to help the business with short-term pressing

Figure 1: The Response of Large U.S. Companies to COVID-19



Source: JUST Capital

projects. And at Mars, Kenny Zheng, the company’s global internal audit senior manager, is using the extra time to build his team’s data analytics skills.

Similar shifts can support the supply chain as well as protect staff jobs. Procurement leaders tell us they have asked communications and marketing employees to reach out to vendors in their portfolio that could benefit from regular contact during the crisis but are not on procurement’s priority list. And they’ve asked finance departments to work directly with distressed suppliers to avoid the need to pass documents back and forth.

Even organizations that must cut or furlough workers can take steps to soften the blow. For instance, U.S. companies in the entertainment and hospitality industries that have furloughed workers pledged to continue to provide health benefits to their staff for several months, sometimes longer.⁸

And when offices get ready to reopen, companies

have communicated to set expectations and show empathy about the risks of returning. Take the morning commute. This could be a dangerous moment in an employee’s day, particularly for those who take public transit. To make it easier, companies could provide private transportation, discounts for ride-sharing apps or flexible hours that allow employees to travel during nonpeak times and more easily maintain social distancing.

2

How can we tie shifts in our corporate strategy that result from the COVID-19 crisis to our sustainability efforts? Should we be reporting metrics that we’re not? Strategists tell us they are revisiting underlying assumptions, developing scenarios and reprioritizing initiatives to make their long-term plans more flexible at a time of heightened health, social and economic pressure.

As companies work to make supply chains more resilient and production more efficient, it is an opportunity to lock in long-term ESG

goals at a moment of negotiating leverage. If you need ideas on new areas of sustainability to focus on or metrics to report, check the list of standards found in [“How to Select the Right ESG Reporting Framework.”](#)

Make this a priority. Assurance leaders tell us that the highest-velocity enterprise risks — those that would hit fast should they occur — are related to social change or the workforce.

3

How can we use our company’s resources and capabilities to address the urgent needs of the community and respond to the social environment? Some companies have reconfigured manufacturing operations to produce hand sanitizer instead of beer — or face masks instead of apparel.^{9,10}

Others have donated medical supplies to hard-hit areas such as New York City. Executives should ask whether their companies can afford to donate money to help local organizations provide critical services. In Michigan, the Detroit Pistons partnered with Wayne County and other organizations to donate \$375,000 to Forgotten Harvest, a local food bank that has seen increased demand during the crisis.¹¹

If you’re reducing staff, take care not to undermine progress you may have made on your diversity efforts. And protect your outside parties. It’s critical to make sure each stakeholder, whether it’s an employee or a vendor, has “an equitable opportunity to succeed,” Jean Lee, president and CEO of the Minority Corporate Counsel Association, told us. “Those are the kinds of things that GCs can really drive.”

It’s important to listen to and fund employee resource groups that represent segments of the workforce such as women, veterans, or racial and ethnic minorities. These groups offer help achieving diversity and inclusion goals.

Employee groups can also provide tips for supporting supplier diversity. Another resource the company might have overlooked to bring more minority firms into its network: primary vendors with owners from underrepresented groups who may know of others. Minority suppliers tell us companies should also ask them for insight into diverse segments of the consumer base.

4

How can we make sure that crisis management efforts do not interfere with what we intend to do for our stakeholders in the long term? Most importantly, think about how your actions will look to others. For instance, public companies that used the U.S. Treasury’s \$350 billion bailout fund for small businesses faced a backlash from both Congress and the public since they had other routes to access capital.¹²

If you’re not sure about a certain crisis management strategy, check with a trusted advisor such as a particular board member, outside counsel or someone that the CEO relies on, the consultant Temin told us.

Temin also recommends applying what she calls the “karmic cockroach test.” It goes like this: Ask yourself whether this action or statement will lead to reincarnation as a bug that incites disgust in others. “Somewhere deep inside,” she said, “no matter what religious tradition you come from, you know you will come back as a cockroach if you do it.”

¹ “Shareholder Value Is No Longer Everything, Top C.E.O.s Say,” The New York Times.

² “Edelman Trust Barometer Special Report on COVID-19 Demonstrates Essential Role of the Private Sector,” Edelman.

³ “2018 Marked Uncertainty in Asset Management — Boston Consulting Group,” Pensions & Investments.

⁴ “Stewardship Engagement Guidance to Companies in Response to COVID-19,” State Street Global Advisors (registration required).

⁵ “Investor Statement on Coronavirus Response,” Interfaith Center on Corporate Responsibility, Domini Impact Investments and the New York City Comptroller

⁶ “ESG Investing Shines in Market Turmoil, With Help From Big Tech,” The Wall Street Journal (subscription required).

⁷ “Best Buy’s Corie Barry on the Aftermath of George Floyd’s Killing: ‘We will do better,’” Minneapolis/St. Paul Business Journal.

⁸ “These 21 Prominent U.S. Businesses Are Among Those Temporarily Laying Off the Most People,” USA Today.

⁹ “Distilleries and Breweries Pivot to Producing Hand Sanitizer,” Bloomberg Businessweek.

¹⁰ “Brooks Brothers General Counsel Seeks Solutions in COVID-19 Era,” Bloomberg Law.

¹¹ “Pistons Owner Tom Gores Announces \$375,000 Grant for Forgotten Harvest,” Detroit Free Press.

¹² “Scores of U.S. Public Companies Take Small Business Rescue Funds,” Financial Times (subscription required).

The Next Step for Forging Trust in AI

by James Crocker

with contributors Arnav Saxena and Ayush Saxena from the social media analytics team

Artificial intelligence (AI) and machine learning technologies were already helping organizations predict significant swaths of human life when attempts to trace COVID-19 infection accelerated collection of citizen and employee data.

At the same time, worldwide anti-racism protests have spawned calls for limits on the use of facial recognition technologies and other AI-based methods of surveillance.

How can governments and companies earn and keep public trust in AI? In the absence of clear regulatory and policy guidance, the last five years have seen an explosion of ethical AI frameworks and principles intended to inform decisions. While these are important, they aren't enough.

The combination of sound ethical principles with demonstrable legal analysis is necessary to provide assurance that the technology is safe, responsible and defensible. "It remains a huge challenge to build a bridge between, on the one hand, abstract, high-level ethical and legal principles and, on the other, the practices of technology development and use in particular contexts," writes philosopher of technology Mark Coeckelbergh.¹ This is particularly important in the current context of AI technology, where ethics-washing and ethics-shopping are becoming increasingly common.²

For instance, while the government of Canada was investing heavily in AI capacity, studies suggested that only 30% of Canadians supported this means of enhancing services. That's according to Noel Corriveau, senior counsel at INQ Data Law and an architect of the effort to show citizens that the government was committed to addressing that trust deficit. The Treasury Board of Canada Secretariat responded, Corriveau told us, with a directive on the use of automated decision making (the principles) and a framework for an algorithmic impact assessment (the analysis).



Noel Corriveau

Senior counsel INQ Data Law, previously special advisor on artificial intelligence to the chief information officer of Canada

Similarly, Jen Gennai, Google's head of responsible innovation, told us CEO Sundar Pichai drove the company's adoption of both artificial intelligence principles and governance processes to check that its technology will benefit society and won't create or reinforce unfair bias.



Jen Gennai

Head of responsible innovation, global affairs, Google

Concerns about the ethics of AI are common. According to Coeckelbergh, “to assume AI is neutral and to use it without understanding what one is doing contributes [...] ultimately, to the ethical corruption of the world.”¹

Our 2018 survey of over 4,000 consumers found that the public has serious reservations about the social implications of AI.³

- Sixty-five percent think, “AI will destroy my privacy.”
- Sixty-three percent think, “AI will destroy more jobs than it creates.”
- Sixty-two percent think, “Businesses will use AI to their own benefit,” as opposed to consumer benefit.
- Sixty-two percent think, “AI will have a negative effect on human relationships.”
- Fifty-seven percent think, “The children of today will have fewer career opportunities due to AI.”
- Fifty-three percent think, “AI will create a less equal society.”

The Structured Process That Spans the Gap Between Principles and Accountability

Algorithmic impact assessments (AIAs) are an emerging practice that offer a structured process for evaluating the implications of any product or service employing a set of rules, usually computer-generated, that augment

or replace human decision making. The scope of an AIA must be broader than other forms of review that may be more familiar. For instance, a privacy impact assessment evaluates any project against privacy risk; an environmental impact assessment evaluates a project against environmental sustainability implications. But an algorithmic impact assessment considers the interplay between new technologies and many dimensions of potential harm, including human rights, economic sustainability, environmental sustainability, regulatory risk and more.

In addition to increasing public trust and promoting ethical behavior, an AIA can prepare an organization for compliance with likely future regulation for AI. It can also document decision making to demonstrate due diligence and reduce present and future regulatory risk and other liability.

Creating an AIA, Corriveau told us, should be a joint endeavor across disciplines. Lawyers must be involved early and throughout the development process of a new algorithm: “Lawyers need to understand legal problems as data problems and vice versa.” This helps lawyers reduce risk without stifling innovation. Besides legal, companies should consider involving representatives from information security, data management, data science, privacy and compliance to get a fuller picture of risk.

AIA Tools to Aid Evaluation

Tools to facilitate an AIA can be surprisingly simple. For instance, Axon's Artificial Intelligence Ethics Board developed six questions to apply to any artificial intelligence product the company develops in the policing technology space.⁴ Axon appointed an external board made up of subject matter experts to ensure independence from executive pressure. The company made the decision to overrepresent communities likely to be affected by its use of AI to ensure that perspectives representing these communities are taken into account. The minimal question set the board developed to evaluate projects shifts emphasis to the expertise of the panel using it.

A list of questions can also be more complicated. Gennai said Google’s internal responsible innovation team develops extensive question sets that it calls patterns; these are aligned to Google’s AI principles.⁵ Patterns are subject to revision and addition. They are based on case study precedent, previous decisions the company has made, the expertise of team members and secondary research. Their purpose is to help team members identify ways in which a new project may contravene Google’s principles, and they form an important part of the team’s assessment process (see Table 1).⁶

A Review Board Can Be Part of the AIA Process ... or Not

Although both Google and Axon employ review boards as a part of their AIA process, dedicated committees may not be required. A more complex AIA tool can attempt to capture the knowledge and judgments of experts from a variety of different domains in a tool with a simple user interface. After project owners deploy the tool, either the standard corporate compliance function or a dedicated review board can monitor its use.

Table 1. AI Principles Review Process

| Process Steps: | 1 Intake | 2 Analysis | 3 Adjustment | 4 Decision |
|---|---|---|--|--|
| Process Details: | <ul style="list-style-type: none"> Any team can request AI principles advice. Responsible innovation team members consider ongoing projects. Reviewers identify relevant AI principles as frameworks for action. | Reviewers analyze the scale and severity of a technology’s potential benefits and harms by: <ul style="list-style-type: none"> Applying patterns Consulting with internal experts | <ul style="list-style-type: none"> Reviewers recommend technical evaluations and may consult external advisors. Reviewers offer mitigation strategies. | Reviewers decide whether to pursue the AI application under review. |
| Example: Text-to-Speech Research Paper | Reviewers assessed a research paper on text-to-speech technology that would allow a system to be trained for new speakers with less time and data. | Smarter text-to-speech networks can help people with voice disabilities but can also be used for harmful applications like synthesizing an individual’s voice for deceptive purposes. | Reviewers found that the data required for harmful applications is not readily available, and sufficient differences exist between synthesized voices and recordings for listeners to identify what is real and what is synthesized. | Reviewers concluded that the paper was in line with Google’s AI principles because of the minimal potential for misuse due to technical limitations. |

Source: Adapted From Google

Both the Canadian government and AI-Global have developed and are beta testing AIA tools that use answers to a series of questions about a project to calculate a residual risk score. The tools also suggest recommendations for modifications, further controls and ongoing monitoring.^{7,8}

Areas for questions include:

- Technology used
- Data source and quality
- Purpose of the project
- Communities likely to be impacted
- The likelihood and severity of impacts
- The presence and effectiveness of controls
- Project governance and ongoing monitoring

Benefits and Results of Using an Algorithmic Impact Assessment

Algorithmic impact assessments are already

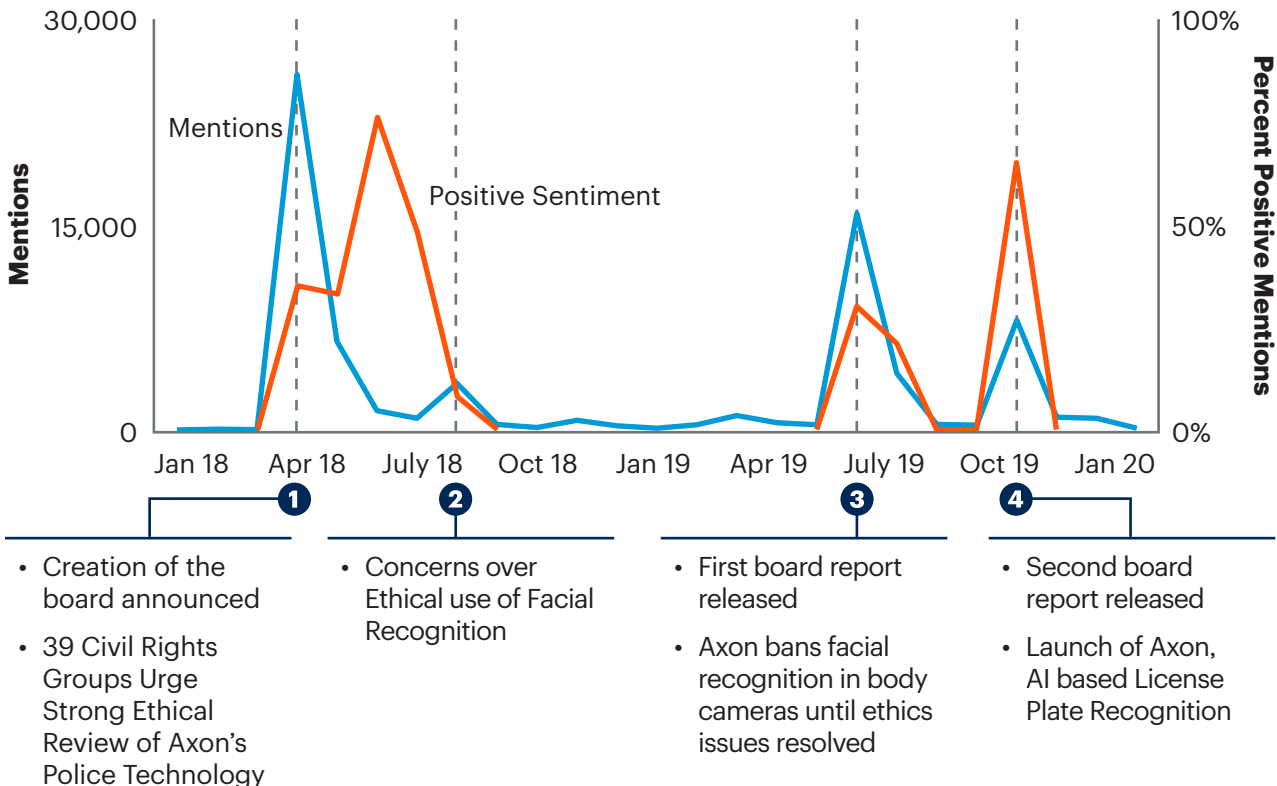
helping businesses improve offerings and reduce risk. At Google, Gennai’s team works with research and product teams to shape projects so they conform to ethical guidelines, and the team has authority to require changes or even prevent initiatives from moving forward.

Axon halted work on facial recognition technology as a result of its first report on ethical AI, far in advance of similar limitations recently imposed by IBM, Microsoft and Amazon in response to concerns over racial bias in policing.⁹ In addition, Axon’s transparent and external ethical evaluation process helped create a positive public image.

Our analysis found that social media conversations and positive sentiment increased following the company’s announcement of its AI ethics board and the publication of findings (see Figure 1).¹⁰

Figure 1. Axon - Social Media Conversations and Sentiment Analysis

Jan 2018 – Jan 2020 (Indexed to 100)



Source: Gartner

There are other benefits too. Google's Gennai says working with research and product teams on project risk mitigation helps developers learn about the ethical implications of their work. A representative of Axon told us the push in the company had come from the bottom up, adding that the staff wanted to make sure the AI roadmap was built responsibly and remain very interested in giving help and feedback.

¹ M. Coeckelbergh, "AI Ethics," The Massachusetts Institute of Technology, 2020.

² Ethics washing means making unsubstantiated or misleading claims about adherence to ethical values or implementing only superficial measures to appear more ethical than is the case. Ethics shopping means selecting principles from the marketplace of ideas to retroactively justify choices that have already been made rather than modifying behaviors in response to public standards. See "Translating Principles Into Practices of Digital Ethics: Five Risks of Being Unethical," *Philosophy & Technology*.

³ Gartner Artificial Intelligence Consumer Perceptions survey, conducted online during January and February 2018 among 4,019 respondents in the U.S. and U.K. Respondents ranged from 18 through 74 years old, with quotas and weighting applied for age, gender, region and income. Results are representative of each country's online population.

Two opposing statements were presented. Question asked: Please slide the arrow to indicate which of the two statements you most agree with.

⁴ "First Report of the Axon AI & Policing Technology Ethics Board," Axon.

⁵ "Artificial Intelligence at Google: Our Principles," Google.

⁶ For a more detailed account of an internal algorithmic impact assessment process, see "Closing the AI Accountability Gap: Defining an End-to-End Framework for Internal Algorithmic Auditing," Proceedings of the 2020 Conference on Fairness, Accountability and Transparency.

⁷ "Algorithmic Impact Assessment," Government of Canada.

⁸ "Responsible AI Portal," AI-Global.

⁹ "Tech Companies Push for Nationwide Facial Recognition Law. Now Comes the Hard Part," CNN Business.

¹⁰ **Social Media Methodology:** We conducted social listening analysis leveraging third-party data tools to complement or supplement the other fact bases presented in this document. Due to its qualitative and organic nature, the results should not be used separately from the rest of this research. No conclusions should be drawn from this data alone. The social media data referenced is from 1 January 2018 to 31 March 2020 in all geographies (except China) and recognized languages. **Sentiment Classification:** Sentiments have been assigned based on a stratified sampling approach by manual assessment of leading conversations in the top quartile (based on retweet count) for each month.

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As Demand Soars for Pandemic Analytics, Chief Data Officers Need a Business Leader Mindset

by Eliza Krigman and Mike Rollings

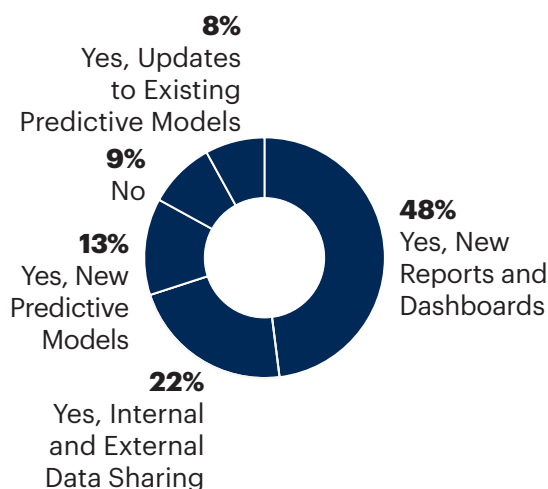
with contributors Jitendra Subramanyam, Ben Hertzberg, Daniel Ryntjes, Rita L. Sallam and Farhod Yuldashev

The spike in demand for real-time (or near real-time) business insight in the wake of the pandemic has moved data and analytics (D&A) professionals into a central role in the drive for revenue now and long-term profitability.

Nearly all D&A professionals (91%) polled in May noticed an increase in requests for their services (see Figure 1).

Figure 1. Types of Data and Analytics Demand Due to COVID-19

Percentage of Respondents Who Experienced an Increase in Demand for D&A Services



n = 236

Source: Gartner Snap Poll (May 2020)

Almost every facet of the business needs more frequent intelligence and analysis. Executives throughout the enterprise have consistently expressed this to us over the past two months. Chief financial officers are forecasting cash flow on a weekly or daily basis with more top-down analysis. Chief risk officers are seeking actionable real-time data to support an increase in requests for reports from internal stakeholders, including the board of directors. Chief marketing officers are using shorter review cycles to track campaigns, and chief sales officers are providing constant updates to their teams, based on market research, to highlight nuanced differences with rivals.

Beyond informing their own organizations, D&A professionals are being called upon to provide information to unrelated business parties and government agencies — more than half of 214 D&A professionals indicated as much in our May poll.¹

Running a business on monthly stats and quarterly pie charts is from a bygone era. Some 59% of global enterprises are using advanced and predictive analytics, according to a 2020

survey conducted by MicroStrategy.² But only 39% provide real-time updates to their key performance indicators (KPIs), and just 14% are making D&A broadly accessible to employees.

When organizations do have the D&A chops to provide real-time insight, problems that once seemed intractable become manageable or go away, as long as they answer the right questions.

Those that did the hard work of infusing D&A into their workflows before the pandemic were able to respond to information needs quickly and effectively when the crisis hit — in a way that propelled the core mission forward. We'll tell you about three of those organizations below.

To help your organization meet the increased demand for intelligence, D&A leaders need to adopt a business leader mindset, support scenario planning to cope with uncertainty, prioritize the right projects and improve the data literacy of all employees.

How Three D&A Teams Met a Critical Coronavirus Challenge

Three health and municipal D&A teams faced a pivotal test as the coronavirus outbreak transformed the world in a matter of weeks, with conditions on the ground changing by the hour.

St. Luke's, an Idaho-based healthcare nonprofit, created analytics tools under the leadership of chief digital and analytics officer Onur Torusoglu that served two purposes: tracking critical information related to COVID-19 and modeling how the disease would likely affect its hospitals. The dashboard served as a command center for all virus-related indicators and refreshed every 15 minutes. Among the inputs: The number of ventilated and infected patients at each hospital, the stock of preventative equipment, test supplies and testing demographics.

While St. Luke's digital and analytics team managed to build the first iteration in just 10 days, the project came on the heels of an 18-month transformation to data-driven analytics. Torusoglu's previous experience in leading organizational change — this was his third transformation in the healthcare space — helped him succeed.

Intermountain Healthcare also made use of previous investments in D&A to track pandemic-related information. John Wright,

the company's vice president of supply chain and support services, developed a dashboard to track and forecast inventory levels of the 24 U.S.-based hospitals he is responsible for stocking.

Wright's team used algorithms from the Ebola outbreak of 2014 to 2016. Information from clinicians about how much personal protective equipment is needed to treat each patient combined with predictions about the growth of infections among local populations yielded a "burn rate."

The dashboards revealed "where sourcing is critical," Wright says, and whether "we have to institute additional conservation measures to help extend the life of that inventory for as long as possible until we do get restocked."

Turku City Data, a D&A services company owned by the Finnish city of Turku, organized its data in four categories — people, objects, location and events (POLE) — to help quickly locate the right information to address a pressing business problem. Used with a knowledge graph, a technology that helps monitor complex relationships and also uncover the existence of previously unknown relationships, the local government could match datasets to problems.

This technology made it possible for Turku to figure out how to deliver food to senior citizens stuck at home because of COVID-19 while respecting social distance requirements.

City officials can present POLE with the following query: "How can I allocate drivers to different zones across the city with the least possible travel time, given traffic conditions and population density along routes?" POLE responds by organizing the data as: "Driver P using vehicle O to deliver food at location L, where the arrival is recorded as event E."

D&A Must Shift From Business Support to Business Catalyst

It's time to dispense with conventional beliefs about D&A, such as the notion that it only responds to business needs instead of acting as a catalyst. Or that D&A is merely a support service that delivers capabilities to a targeted audience, rather than a widely practiced enterprise competency. This is the old way of

thinking, and it keeps organizations from using data in new ways and responding to intelligence needs quickly or effectively.

Instead, discuss the organization's emerging business priorities and how data can be central in achieving these goals. D&A executives who become active advisors to business strategy double their odds of generating consistent business value.³

Adopting the mindset of a business leader is an essential part of determining how best to meet the D&A needs at your organization. In practice, this means recognizing that:

- D&A strategy *is* business strategy.
- Internal and external stakeholder wishes, especially their unmet needs, are the source of opportunity.
- Internal assets, external data and insights can fundamentally shape the business and reinvent how it creates and delivers value.
- Value propositions should have a clear expression of their ability to drive new business goals, enable decisions or provide utility, such as self-serve capabilities.
- Success should be determined by the degree of data-driven transformation achieved, the progress toward stakeholder goals and enterprise improvement of D&A capabilities.

Provide D&A to Support Scenario Planning

Businesses of every stripe find themselves in uncharted territory, leaving them unsure of how to respond now or plan for the future. Scenario planning offers one way to cope with so much uncertainty — and chief data officers have an important role to play in support of those efforts.

Some best practices and mentalities for corporate scenario planning include:

- Challenge strategic assumptions and identify options so that the future — whatever it brings — does not take your organization completely by surprise. Identify new data sources to distinguish the emergence of one scenario versus another.
- Make sure the time frame for scenarios is long enough that you let go of present-day

assumptions, but not so long as to encourage science-fiction-like explorations (most likely somewhere between five and 15 years).

- Use the scenario planning approach that best suits you. You could use two scenarios to describe a potential postpandemic effect and its opposite, for instance. That's one of many options.
- Translate each scenario into “early signposts” that indicate a particular outcome is emerging. Use analysis that elevates and monitors weak signals. This will help the company move from keeping options open to making decisive choices again.
- Identify and adjust existing analytical models to adapt business decisions to each scenario. For example, how should forecasting models be changed to reflect variability in geographies opening or closing?

Learn more about how to execute scenario planning for pandemic recovery in [“Don't Make Predictions and Choices, Instead Create Options by Using Scenario Planning for Pandemic Recovery.”](#)

Prioritize Projects With High Business Value

Don't try to do everything. Take a more rigorous approach to assessing which projects you will pursue in the coming weeks and months. Evaluate the net business value of potential investments before you commit to them.

This will address one of the most common ways to undermine success: a lack of focus on the most valuable opportunities.

D&A leaders should build portfolios of potential options and evaluate them by criteria that illuminate their net business value. These criteria include:

- Relevance to mission-critical business priorities and competitive advantage
- KPIs that measure business impact
- The business processes, events or decisions D&A can impact to improve mission-critical priorities
- The risk and potential return from using unfamiliar or unproven D&A technology
- Availability of data sources, analytics capabilities, skills and competencies

Boost Data Literacy Throughout the Organization

Businesses that want to compete — and succeed — in the economy of tomorrow need a workforce that can consume, analyze and make smart decisions with data. Unfortunately, this is a weak spot for many organizations, and it hampers their ability to become data-driven enterprises. To remedy this, D&A leaders should:

- Work with HR to identify the various jobs and/or roles within the organization and the level of data literacy they require.
- Work with business unit leaders to map skill requirements to each job role.

- Work with third parties to plan data literacy programs throughout the workforce that include training, coaching and raising awareness.
- Prepare the learning module for each area of study with an engaging combination of methods, including computer-based training, brown bag sessions and on-the-job coaching.

¹ Gartner D&A Snap Poll, May 2020

² "The Global State of Enterprise Analytics, 2020," Forbes.

³ Gartner's Fifth Annual Survey of CDOs (2019)

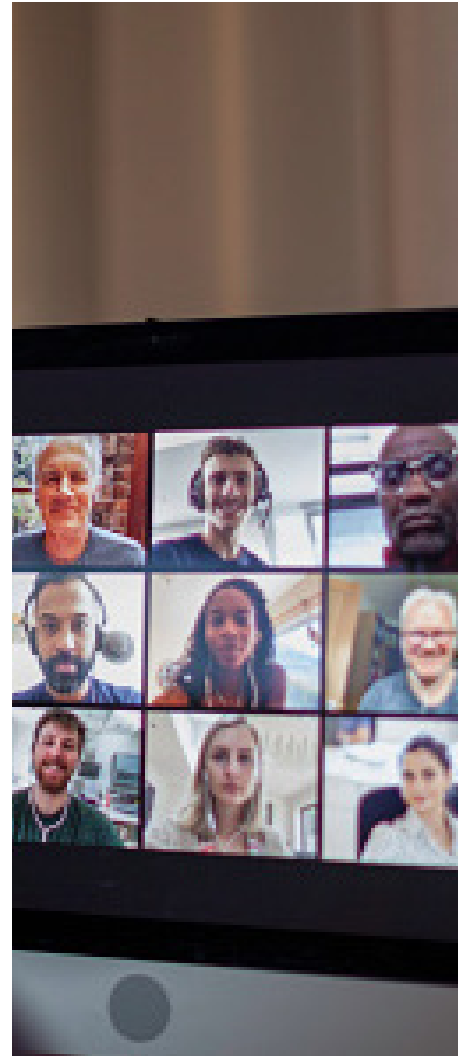
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Mass-Produced Personal Compliance Guidance

by Matt Cantrell

Compliance guidance that applies to an employee's real world is, of course, necessary for changing employee behavior to prevent misconduct and shortcuts that circumvent policy. And obviously, compliance teams must update guidance to meet those needs as they evolve.

But the nature of work is not evolving; it's roiling with upheaval. And compliance simply hasn't kept pace.

COVID-19 is the most prominent example right now, although it's not the only one. Since March, 88% of HR executives have advised employees to work from home, and an average of 58% of their workforces have had to use new skills in response to the pandemic.¹

And in the past several years...

- More than 60% of jobs have seen more than 25% of their required skills change.
- Fifty-seven percent of companies have increased geographic dispersion in their workforce.
- Eighty-two percent of employees are encountering new cultural tensions following a significant organizational transition.²

Yet among surveyed compliance leaders ...

- Just 31% provide compliance guidance that contains only components relevant to employees.
- Only 16% have reevaluated guidance in the face of corporate changes.³

Compliance officers should also take advantage of an available tool that they're likely familiar with as consumers. Consider the evolution of sales, digital marketing and customer service over the last two decades. In the early stages of the internet, digital advertisers relied on mass marketing — the delivery of a single message to a broad audience. That's a far cry from your Netflix queue today.

Netflix can tag components of any given show or film according to the user groups who would enjoy each element. Would this thumbnail appeal to a teenage boy? Would this description intrigue a sci-fi aficionado? The company also tracks significant amounts of data about customer interests. What types of movies did you watch last year? Which ones did you turn off after five minutes? After mapping the program's tags to your interests, Netflix can deliver a selection that feels handcrafted to your taste, even though it came from an algorithm, not a human curator.

The revolution wrought by this type of mass-produced personal experience can extend to training and guidance — it is the compliance team's turn.

Relief for an Unsustainable Situation

Most compliance programs work to make their employee guidance applicable by creating custom-made guidance to address top employee needs as they arise. That works, but it's not scalable. It only addresses one need at a time, it has high ongoing costs and you have to start from scratch when needs change. Compliance executives tell us they don't have the time or money to do that, particularly in less regulated industries where there might not even be one FTE on the team for every 1,000 corporate employees. Even if that workforce were static (which it isn't), it would still typically be spread through scores of countries (with a variety of languages) and an even greater mix of responsibilities (which are constantly changing).

The answer is configuration — creating a modular form of compliance that can be assembled many different ways. Since employees receive only what applies individually to them, the compliance guidance feels fully customized, even though it's been selected from an existing library.

Configuration simultaneously addresses many employee needs, has low ongoing costs after the initial investment and is easy to build upon when needs change.

Below are the four steps to configuration, followed by a walk-through of how QBE North America, a division of the QBE Insurance Group, applied each of the steps.

- Step 1: Review (and Prioritize) Guidance Library
- Step 2: Unpack Component Parts
- Step 3: Classify Component Parts by Audience
- Step 4: Deliver Tailored Content to Employee Groups

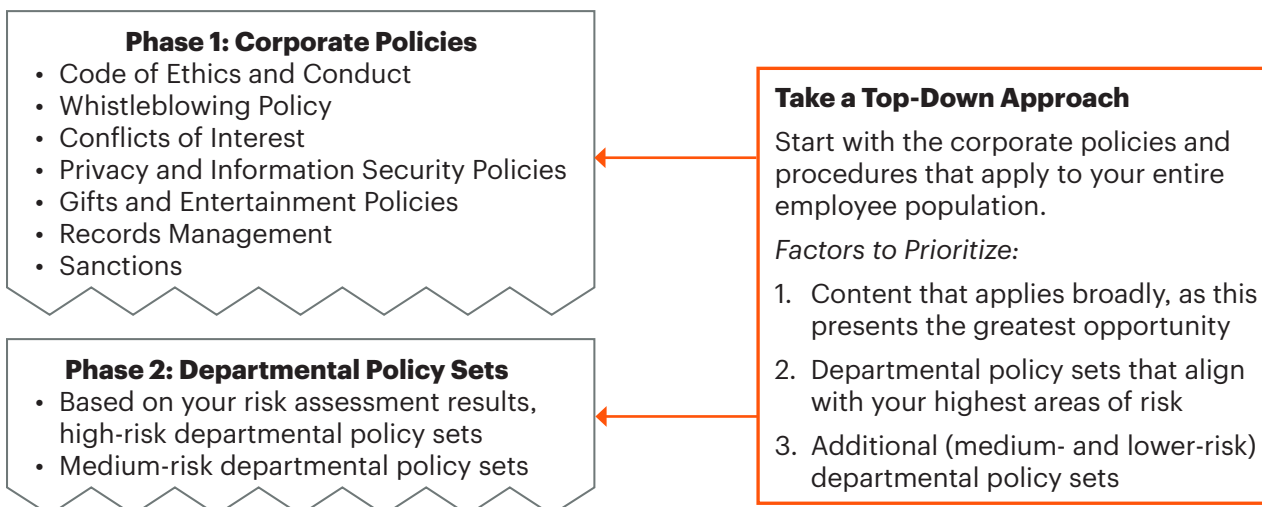
Step 1: Review (and Prioritize) Guidance Library

The first step is deciding which parts of the guidance library to start with.

For most compliance functions, time and resource constraints will require a narrow initial scope for a configuration project. One approach is to begin configuration with the highest-priority compliance guidance for this year. (For example, our polling shows that the top policies updated in response to COVID-19 as of 9 April 2020 were information security; recognizing and reporting misconduct; environmental; health and safety; and data privacy.) Another path to configuration is to apply it gradually as a part of all future guidance refreshes (e.g., updates to policies and training modules).

QBE started with its internal policies and procedures. As shown in Figure 1, the compliance team prioritized the policies and procedures that apply broadly to the entire employee population and moved on to departmental policy sets prioritized by risk.

Figure 1. Identification of First-Priority Policies



Source: Adapted From QBE

Step 2: Unpack Component Parts

The next step is to break down the selections into the discrete employee obligations they contain (see Figure 2).

QBE analyzed 15 policies and identified 432 distinct obligations contained within. Without eliminating any requirements from the policies, the compliance staff was able to convert the 432 distinct obligations into 22 “simplified” all-employee obligations. The team used a system to winnow the number, applying one of three distinct “methods” to each obligation:⁴

Method 1: Consolidating obligations (e.g., broadening the scope of an obligation, presenting lists within an embedded hyperlink)

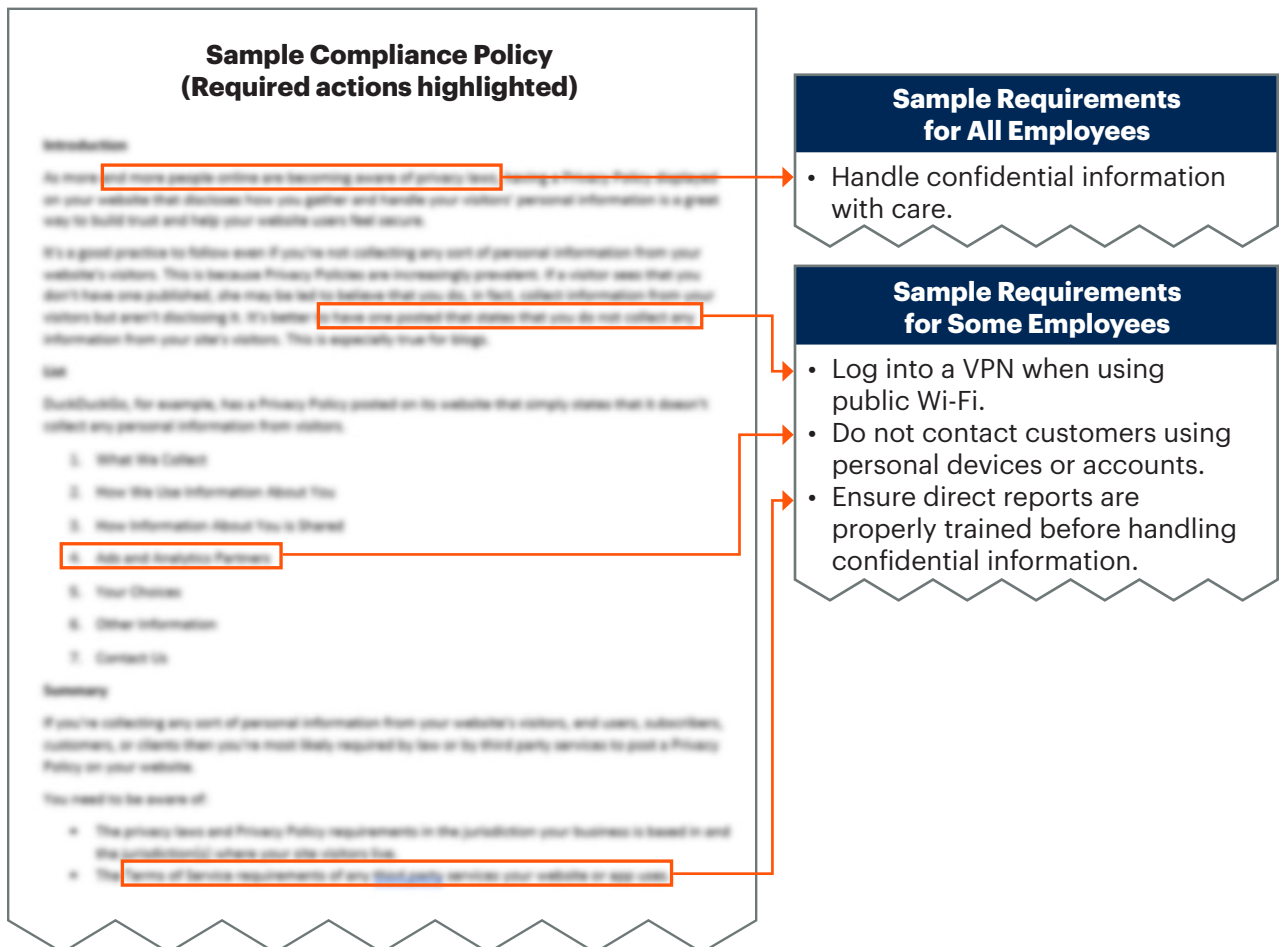
Method 2: Disregarding obligations (e.g., if they are duplicates, if they aren’t actionable)

Method 3: Simplifying obligations at the source (e.g., modifying an underlying policy, procedure or process design).

In addition to these all-employee obligations, others applied only to certain employee groups.

To ensure that simplifying doesn’t lead to increased noncompliance — the opposite of its intended effect — QBE implemented controls such as an audit trail maintained within the register that indicates the basis for the consolidation. That makes it very easy to undo or be challenged at a later time by another assurance function. Further, the final obligations always link back to the source records for convenient verification.

Figure 2. Identification of Requirements Within a Policy



Source: Adapted From QBE

Step 3: Classify Component Parts by Audience

Next, map the obligations to the employee groups they apply to. QBE maps obligations using job code data and other role identifiers — for instance, employees who engage directly with customers are mapped to certain job titles within certain departments. The key here is to bring in the right stakeholders. If you gather the relevant subject matter experts and policy owners in a room, unpacking and classifying obligations is a lot faster and easier than it sounds.

QBE includes two measures in this step:

- Policy owners sign off on the employee groups their obligations apply to.
- Compliance maintains an audit trail of how obligations are defined, simplified and sorted.

QBE then identifies the aggregate number of obligations applicable to each employee group (see Figure 3).

Generally, policies tend to be written broadly and in overly general terms, which makes it inherently difficult for employees to understand how policies impact their individual role. QBE found a new means for delivering compliance to the first line when the audience became only those with a “need to know.”

Note: Alternative ways to classify employee groups exist for compliance programs that don’t have access to robust HR management data or similar data sources. For example, employees can self-select into groups through a simple activity questionnaire, or managers can make this selection for their teams.

Figure 3. Classify Component Parts by Audience

| Sample Obligations | Employee Groups | | | | |
|--|-----------------|---------------------|-----------------------------|--------------|-----------------------|
| | Managers | New Staff (<1 Year) | Staff With Customer Contact | Remote Staff | Staff With PII Access |
| Handle confidential information with care. | ✓ | ✓ | ✓ | ✓ | ✓ |
| Log into a VPN when using public Wi-Fi. | | | | | ✓ |
| Do not contact customers using personal devices or accounts. | | | ✓ | | |
| Ensure direct reports are properly trained before handling confidential information. | ✓ | | | | |
| Total Obligations | 15 | 5 | 8 | 3 | 6 |

Source: Adapted From QBE

Step 4: Deliver Tailored Content to Employee Groups

QBE is developing a policy map where employees would see all the obligations that relate to their individual role based on their role profile. In the example in Figure 4, John and Jane both belong to the “QBE People Leaders” group, but the rest of their groups are different. So, they both receive guidance for people leaders, but the other guidance they receive is different. Embedded links provide employees with access to all the information needed to fulfill each requirement and can link back to the full policy detail.

Simplifying employee obligations and mapping their applicability to specific roles created an opportunity for QBE to break away from the old policy-centric way of communicating compliance information. Policies remained intact, but employees now have an alternative means for accessing what they need to know that is both user-friendly and far more effective, clarifying expectations and responsibilities.



Joseph Sherno

Chief Compliance Officer of QBE North America

The shift to modular compliance creates a whole new ecosystem that can be expanded over time as needs change. Joseph Sherno, chief compliance officer for QBE North America, told us in an interview that the benefits are clear: The move encouraged “innovation within compliance as a function” and improved “first-line accountability and ownership.”

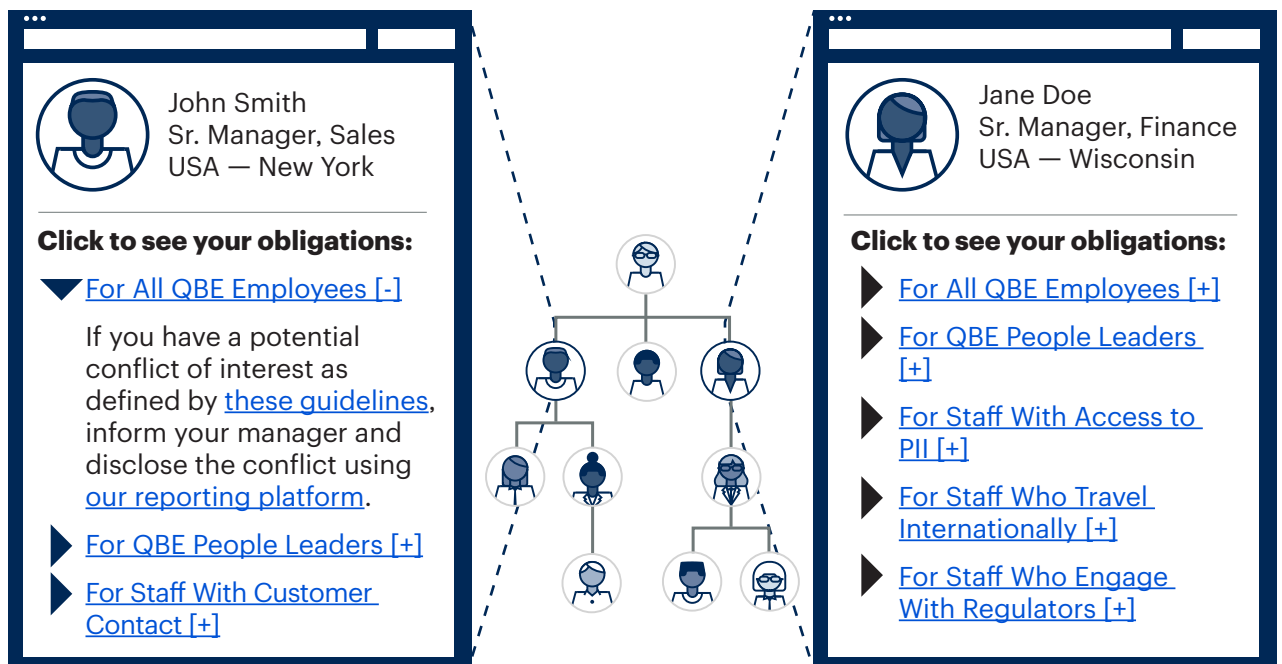
¹ Gartner COVID-19 Crisis Benchmarking Against Your Peers Webinar Poll (2 April 2020)

² 2019 Gartner for HR Leaders Research

³ 2020 Gartner Compliance Guidance Imperatives Survey for Legal and Compliance Leaders

⁴ See “Case Study: Configurable Compliance Guidance (QBE North America)” for more detail on the company’s simplification methodology.

Figure 4. Methods for Providing Content Specific to Employee Groups

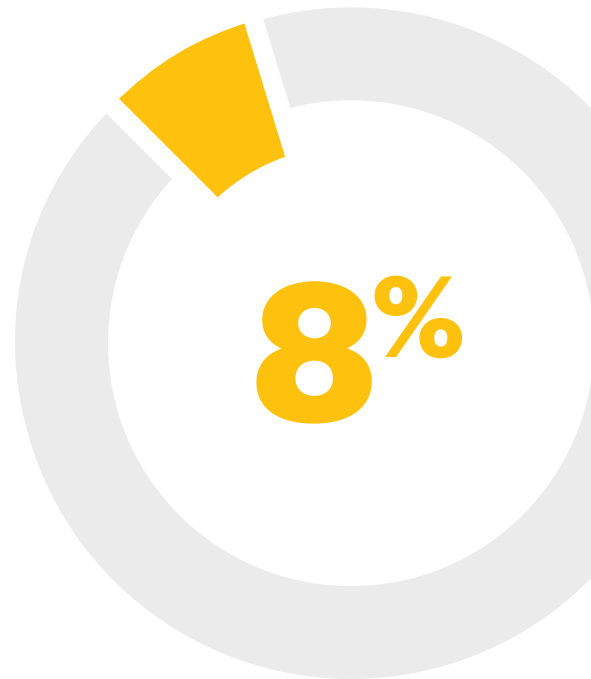


Source: Adapted From QBE

5 Things the Best General Counsel Do Differently



Only 8% of GC are performing their ideal role as a corporate leader. What separates the best general counsel from the rest?



Discover five shifts in behavior to become a more effective leader:
gartner.com/en/legal-compliance/trends/best-general-counsel

Because Every Hire Counts, Recruiting Processes Must Shift in 3 Ways

by Alexia Cambon and Jamie Kohn

HR leaders tell us they are under growing pressure to fill talent gaps quickly, even as 74% report their organizations have imposed hiring freezes.¹ That means every hire counts — new employees have an outsized impact on the ability of their enterprise to respond, recover and renew growth. But talent acquisition is failing.

Even in the best of times, how well the company succeeds at finding the right fit for the right job can make or break a business strategy. Boards of directors rated talent acquisition as a top business challenge they are facing in 2020;² only 24% of business leaders agree they can quickly hire the talent they need with their current resources and processes.³ Where hiring is happening, 40% of hiring managers report that their new employees leave their teams no better off. Only 29% are highly prepared with the skills needed for their role, and only 23% are prepared with skills needed for the future. Further, only 16% of new hires have both.⁴ And as the COVID-19 pandemic creates volatility and uncertainty in operations and strategy, it's even harder to meet talent needs.

Regardless of hiring volume, every hire counts when the quality of that hire has an outsized impact on business progression (see Figure 1).

Three macroshifts exacerbate the crisis in quality; they've been leading toward a future

point in time where existing recruiting strategies would be outdated (see Figure 2).

The pandemic has brought this moment forward (see Figure 3). The acceleration in these fundamental shifts means business leaders must rethink — now — how to acquire skills necessary for achieving strategic goals.

- The first macroshift is skills evolution beyond business leader expertise, making it difficult for recruiters to rely fully on the business to articulate what should be hired. Accelerant: A virus-driven shift to remote work and social distancing in on-site work has fueled a boom in work redesign and automation.
- The second macroshift is skills dispersion beyond known and trusted talent pools, making it difficult for recruiters to fully rely on familiar sources. Accelerant: Lockdown life, work lulls and layoffs for some have driven a boom in virtual learning, enabling talent to acquire skills from new and different sources.

Figure 1. Business Impact of Hire Quality by Hiring Volume



Source: Gartner

- The third macroshift is the employee experience revolution in workers’ demand for more influence on and control over their jobs, making it difficult for recruiters to rely fully on their usual incentives to attract talent. Accelerant: Remote work gets candidates accustomed to designing their own employee experience at a time when this autonomy and flexibility is desperately needed.

Progressive recruiting functions adapt by shaping the workforce, which consists of three strategies:

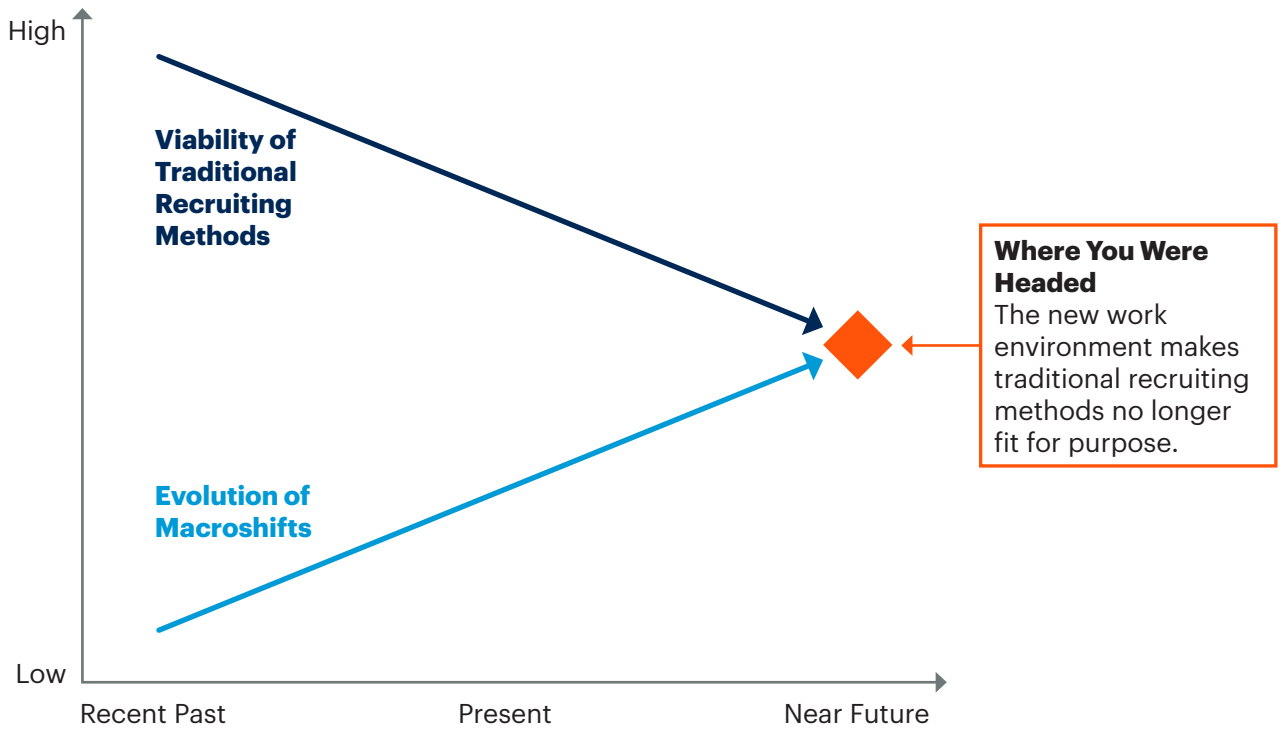
1. Defining talent needs by **prioritizing skills** instead of profiles
2. Sourcing by **uncovering the total skills market** instead of targeting known talent pools
3. Attracting talent by creating a more **responsive employee experience offering** instead of just describing the existing employee value proposition

Prioritize Skills Acquisition

Hiring managers can no longer count on their experience to make quality hires; 46% of them have low familiarity with the role they are hiring for and 32% of hiring managers have not hired for the role before.⁵ That’s a problem: A manager who hires frequently tends to have a 9% boost in quality of hire over one who hires rarely.⁶

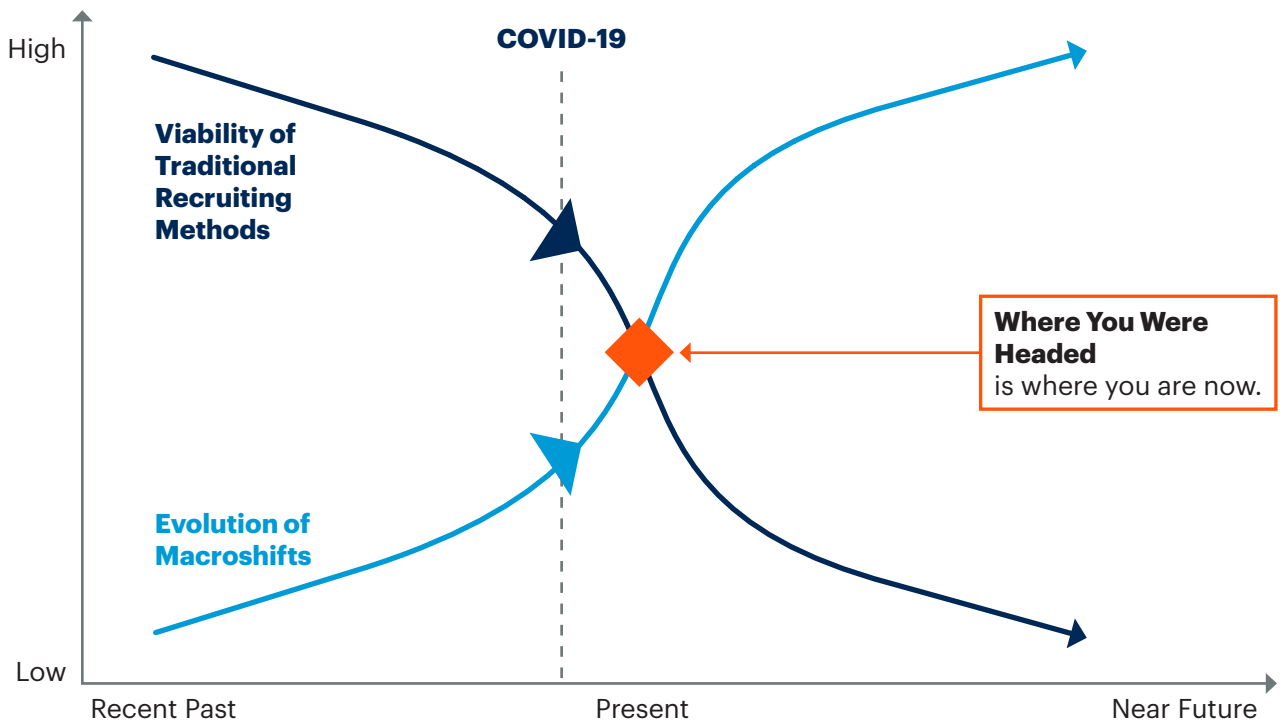
Business leaders typically define hiring needs by articulating the candidate profile they want to see in the role, relying on presumptions that certain skills are tied to certain qualifications or experiences. This approach fails recruiters in an environment where skills are evolving so rapidly that the profile articulated by the business leader is neither realistic nor attainable. Hiring managers often recycle the last job description and add new desired skills to the list, creating an impossible task for recruiters who must search the labor market for these “unicorn” candidates.

Figure 2. Decline in Viability of Recruiting Methods Against Evolution of Macroshifts



Source: Gartner

Figure 3. Acceleration of Need to Rethink Recruiting Strategies Due to COVID-19



Source: Gartner

Start instead by examining the work that needs to get done — liberating recruiters and hiring managers from assumptions about the type of person to hire. The result: More options are available. Recruiters at Charles Schwab move away from a “default hiring mindset” by first consulting with hiring managers on the key outcomes of the role and which skills are essential to achieving them. Such recruiting consultations help hiring managers see where a set of skills may not exist in one person, then identify potential hiring pathways to build, buy or borrow what they need (see Figure 4). Consequently, Charles Schwab meets talent needs more effectively, with a 45% increase in placement rates for candidates sourced by recruiting.

Uncover the Total Skills Market

Recruiters have long relied on known talent pools to source skills, with business leaders investing heavily in improved access through technology or with business leader networks. However, 43% of candidates are now self-taught in one or more of their role’s requirements,⁷ and increasingly organizations are developing high-value skill sets through accelerated training programs throughout the business. Skills are

no longer exclusively held by individuals with specific credentials and backgrounds. With skills dispersing beyond these known talent pools, traditional sourcing approaches represent a missed opportunity.

Instead, business leaders who shape the workforce identify where existing strategies and processes are limiting their access to people with the necessary skills. A skills-based sourcing strategy agnostic of any other criteria (e.g., background, credentials, experience) opens broader skills markets. Hiring managers should be asking: Where can search criteria be broadened? Where is the process noninclusive?

Casting the net wider also offers diversity benefits: Our analysis shows that nontraditional talent pools include 11% more women and 7% more minorities than more conventional sourcing would find.⁸

Don’t forget to explore skills available through alternative employment models as well as underutilized skills from within your own organization. Sometimes companies can fill skills needs faster and more cost efficiently by considering contingent workers or rotational assignments for internal employees.

Figure 4. Charles Schwab’s Hiring Manager Option Provisions



Source: Adapted From Charles Schwab

Unilever expands sourcing through a flexible talent model that helps hiring managers examine skills availability against frequency of skills demand (see Figure 5). Hiring managers use the model to staff projects up and down as business needs change.

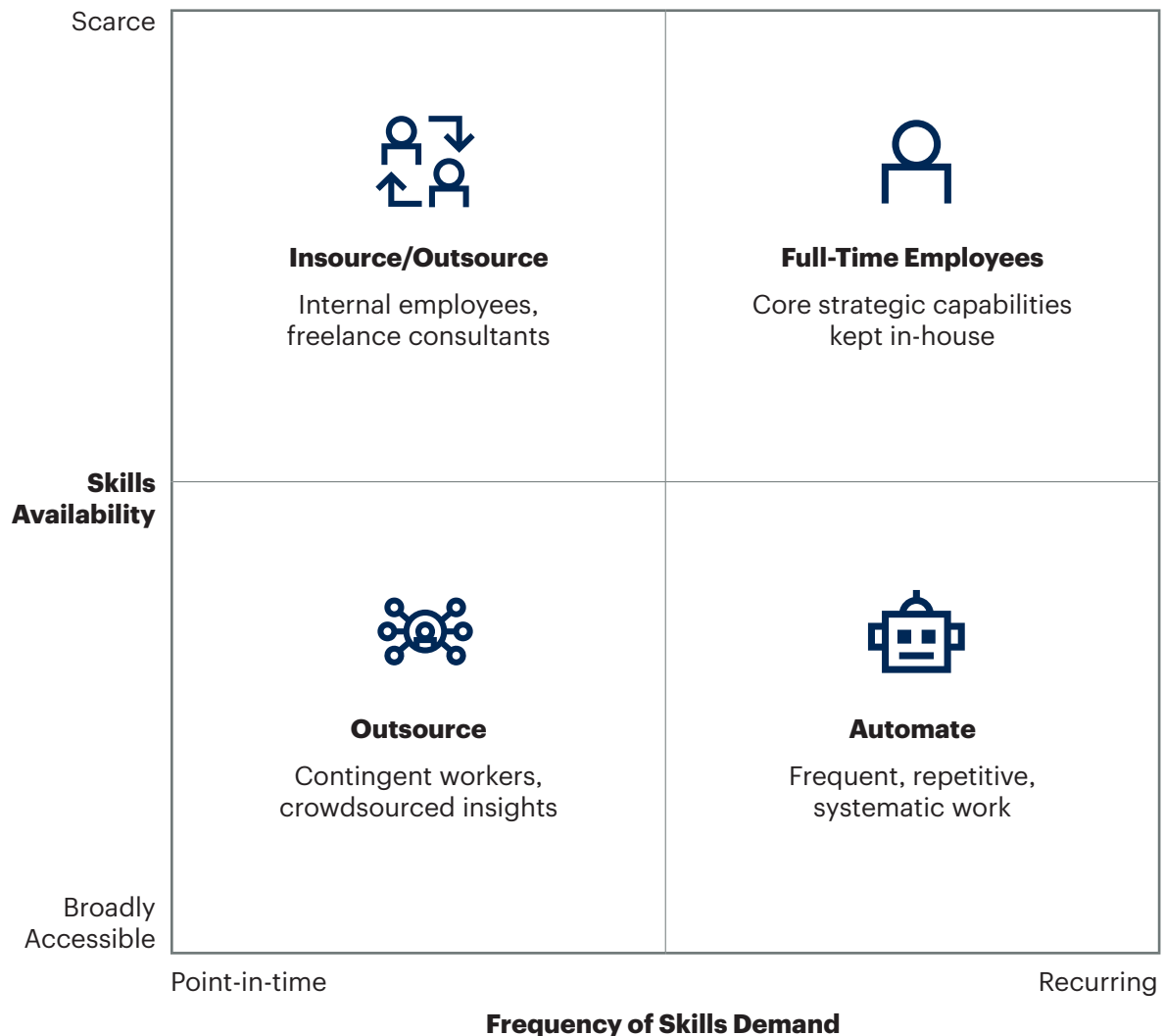
Create a More Responsive Employee Experience Offering

Nearly six in 10 (59%) employees agree their employee experience is as important to them as compensation and benefits are.⁹

Business leaders rely heavily on the company’s “employment value proposition” (EVP) to attract candidates.

But 65% of candidates have cut short the hiring process because they found aspects of the job (e.g., work-life balance, development opportunities, company culture) unattractive.¹⁰ They are demanding more influence over their day-to-day experience: 42% of candidates now expect to influence location, work hours and remote working arrangements.¹¹

Figure 5. Unilever’s Talent Sourcing Choice Model



Source: Adapted From Unilever

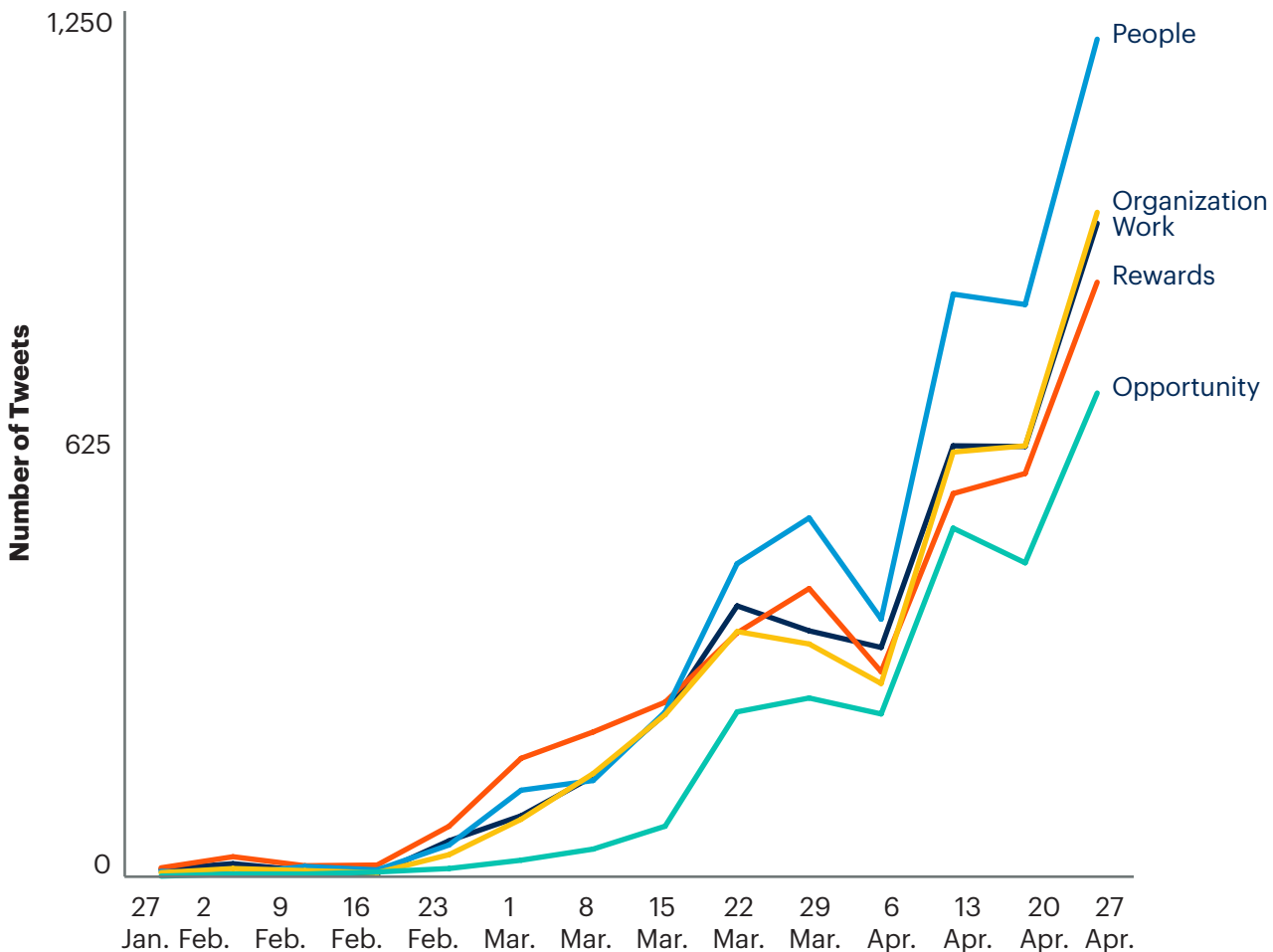
Again, the COVID-19 crisis is speeding up this trend — employee experience is an increasingly hot topic (see Figure 6). Employees are looking for organizations to accommodate their need to adjust when, how and where they work. Employers that don't make these adjustments will not stay competitive for long.

Deliver a more responsive EVP by leveraging insights from the individual candidate to the collective labor market, and feed these back to recruiting. Create a more compelling vision for candidates by spending more on data analytics to understand changing preferences and regularly monitoring EVP offerings in light of shifting circumstances.

Talent intelligence helps Philips' talent analytics team understand what candidates want and how the company stacks up against competitors for key talent segments. The staff adapts job design accordingly. For example, Philips determined that software developers preferred to work on a variety of high-impact projects throughout the business; they were poachable if enticed by the opportunity to work on something new.

So, business leaders at Philips worked to develop a software center of excellence to rotate developers around the business (see Figure 7). The move set Philips apart from its rivals.

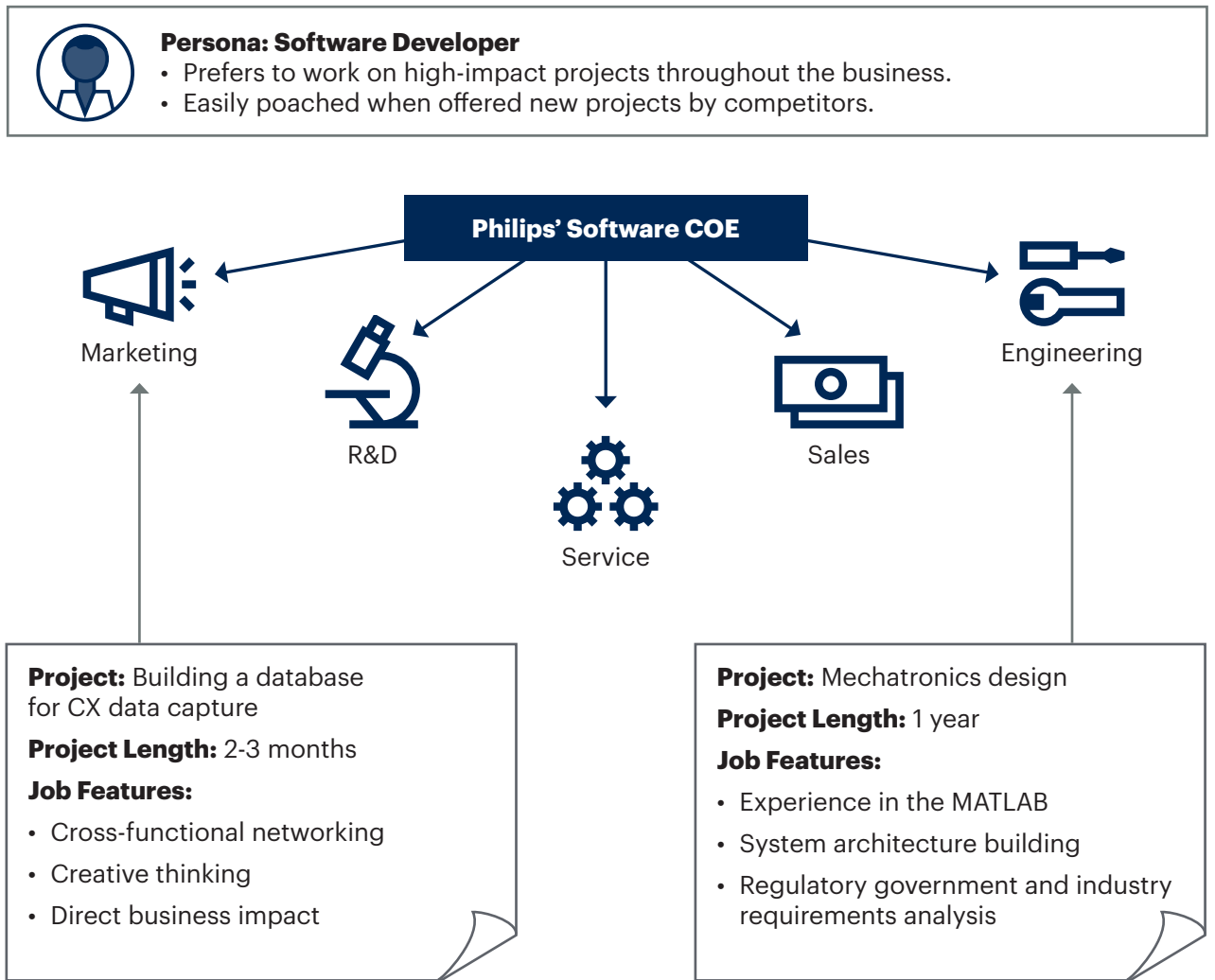
Figure 6. Volume of Tweets by EVP Category



n = 13,684 tweets

Source: Tweets Collected by 4 May 2020

Figure 7. Philips' Talent Intelligence Influence on Work Design



Source: Adapted From Philips

¹ Gartner Managing Through Disruption Benchmarking Against Your Peers Webinar Poll (21 April 2020)
² 2020 Gartner View from the Board of Directors Survey
³ 2019 Gartner Digital Talent Gap Survey
⁴ 2019 Gartner Hiring Manager Survey
⁵ 2019 Gartner Hiring Manager Survey

⁶ 2019 Gartner Hiring Manager Survey
⁷ 2020 Gartner Candidate Panel Survey
⁸ Gartner TalentNeuron
⁹ 2020 Gartner Candidate Panel Survey
¹⁰ 2020 Gartner Candidate Panel Survey
¹¹ 2020 Gartner Candidate Panel Survey

Decision-Making Principles Drive Quality and Efficiency Through Disruption

by Bryan Klein and James Crocker

Upheaval is hard on teams — a torrent of new expectations typically lessens emphasis on quality throughout the enterprise, and brush fires take focus away from planned long-term change to better serve the business.

But favoring speed over high standards, or now over later, presents a false dichotomy. Pathing employees to more efficient solutions helps avoid trade-offs. But when trade-offs are necessary, explain how and when to weigh choices so employees, whether they are on the front line or within a specific function, can understand what to do. Where should they compromise? When should they hold fast? Decision principles can help them do what they need, and what the

organization needs, without escalating. They can have both — each at the right time and place.

During disruption, executives tend to turn to an old standby: reinforcing the importance of excellence. There's nothing wrong with that. It just has no impact.

In Pursuit of Excellence: Support for the Workforce

When a disruption hits, employees feel like quality conflicts with new expectations and see others evading quality guidelines. In fact, a single disruption, on average, reduces employee emphasis on quality by 9%, based on our recent analysis of over 1,200 global employees across functions, industries and levels of seniority (see Figure 1).¹ That decrease is especially concerning considering employees have been experiencing three disruptions per year, and the pandemic has led to a near-constant state of interrupted focus.

During the best of times, a strong culture of quality is beneficial. Employees who work in a strong culture of quality experience 65% fewer mistakes in their daily work than their peers do — saving their companies time and money.²

And during disruptions, a strong culture of quality can be a competitive advantage. When a culture of quality is strong, employees aren't simply following established rules and processes. They

take quality-centered actions independently and adapt to changing conditions around them. It's no surprise, then, that those who work in a strong culture of quality are 3.5 times more likely to overperform individual goals — and their companies are 3.4 times more likely to overperform enterprise goals during a disruption, as well.¹

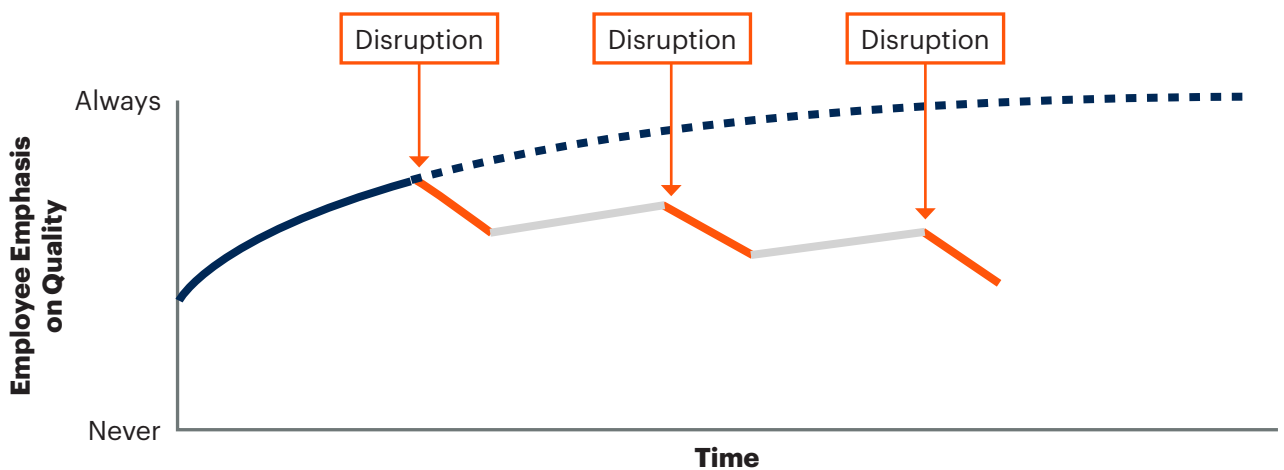
Typical Tactics for Maintaining Quality Don't Work During Disruption

During disruption, executives tend to turn to an old standby: reinforcing the importance of excellence. There's nothing wrong with that. It just has no impact. Why? Because in a disruption, employees are flooded with communication. More than 70% of employees say messages about multiple, competing priorities all increased during a disruption.¹

Another common way to shore up quality is access to processes, training and data. But as priorities and circumstances change, employees begin to question whether the tools are still relevant — and some will stop using them.

Figure 1. Impact of Disruptions on Culture of Quality

Illustrative



-9% — average change in strong culture of quality as a result of one disruption.



3 — average number of disruptions a company experiences each year.

n = 1,203 global employees

Source: 2020 Gartner Culture of Quality During Disruptions Survey

Note: A strong culture of quality here represents an organization with an above average culture of quality index. The culture of quality index measures the strength of a company's culture of quality based on how much employees hear, feel, see and transfer quality at their company.

The Missing Piece: Help Navigating Tensions

The most effective tactic by far is helping employees navigate tensions (see Figure 2). Conflicting signals, changing expectations and new circumstances distort the internal calculus employees use to determine the right balance of quality versus other priorities, such as speed and cost. As a result, employees are paralyzed by indecision when faced with an unclear situation involving these competing concerns — something over 60% of employees experience at least weekly during a disruption.¹

Three simple but powerful actions can support decision making:

1. Acknowledge Tensions: One pharmaceutical company forced executives to decide during a workshop between two equally important yet competing priorities. Once aligned, leaders could be more transparent with employees about the necessary trade-offs and expectations that they make them.

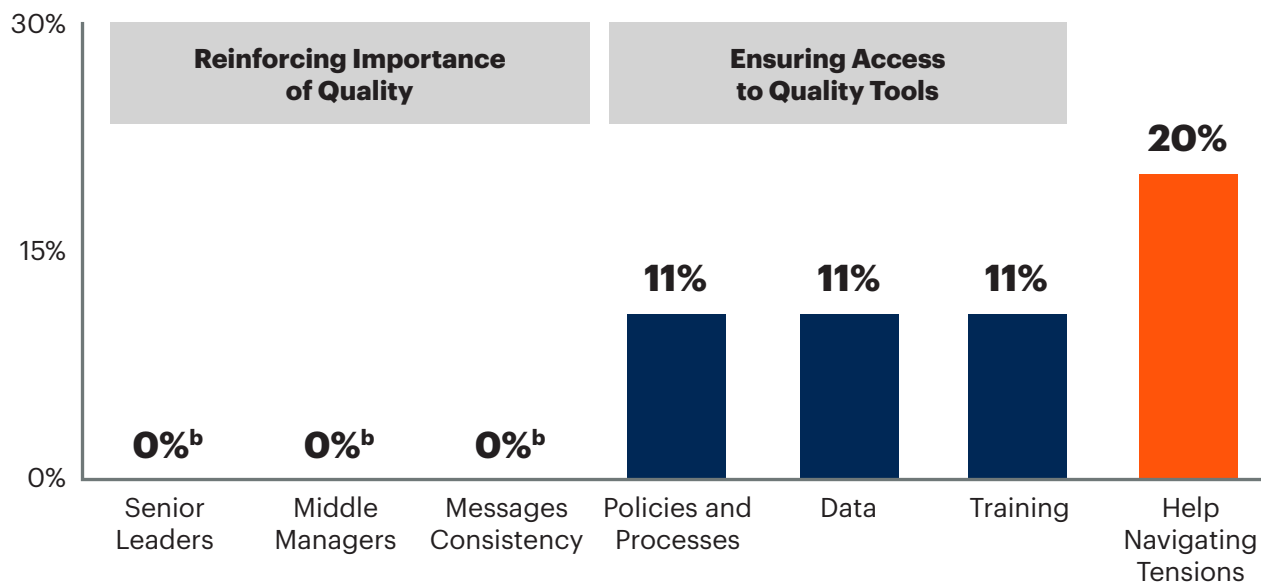
2. Build Judgment: To build this muscle in a safe environment, the insurance company Aviva uses an online game that asks employees to make a difficult trade-off in a real-life business scenario and provides instant feedback on that choice.

3. Clarify Trade-Offs: Executives should help employees understand when quality is crucial and when it is not. It's impossible to determine this for every possible scenario, but guidance can be as simple as helping employees think about three levels:

- Must have quality — when quality is non-negotiable (e.g., customer safety)
- Should have quality — when quality needs to be balanced against other priorities critical to the business
- Could have quality — when quality is less of a priority

Figure 2. Improvement in Culture of Quality During Disruptions From Various Approaches

Maximum Impact of Quality Approaches^a



n = 1,203 global employees

Source: 2020 Gartner Culture of Quality During Disruptions Initiative

^a Maximum impact shows the percentage increase in culture of quality during a disruption as a result of moving from the 10th to the 90th percentile performance in each of the approaches. The coefficient of determination for the model is 42%.

^b Denotes no statistical significance

In Pursuit of Efficiency: A Look at Legal

Legal departments serve as the firefighting function within most organizations. When crises hit, legal is always at the table and often leading the response. And these departments are under siege right now. In the wake of the pandemic and ensuing recession, one general counsel said an influx of novel legal questions combined with the work-from-home environment made her feel like her team has 50% more work, but 50% less time.

Indeed, 74% of corporate counsel reported feeling at least moderately burnt out in a June flash poll by the Association of Corporate Counsel.³ To manage legal work and support the business through the pandemic, legal leaders have retasked lawyers and reallocated funds, and they have scoped down, paused or canceled other work where possible.

Such a whirlwind of adjustments isn't unique to COVID-19 response. In other matters too, 63% of legal teams pull resources from other workstreams to support unplanned work.⁴ That parade of trade-offs is not sustainable. Legal cannot forever put off transformation that will allow it to support the business of the future in order to address the crises of the present.

Some legal leaders believe this trade-off is unfortunate but inevitable, that when they get hit with an avalanche of high-urgency work, they must bring all hands on deck and swarm the issue to protect the business.

In the process, however, lawyers spend too much time and money on overanalysis, duplicate work, reworking law firm guidance and mismanaging outside counsel spend. Overall, 1,040 hours a year for every 10 FTEs is wasted in response to unplanned work.¹ That is 20% of the time spent on the unexpected — and time is in short supply.

Managing that time better means conserving the ability to protect the company now — as well as in the future. Legal departments that are efficient in unplanned work are about twice as likely to have implemented plans for legal transformation and to have increased the speed at which they provide legal advice.¹

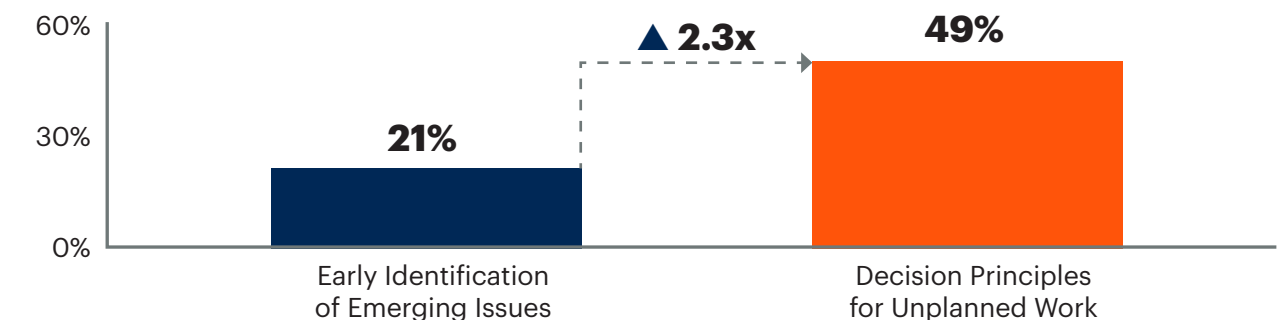
Typical Tactics for Getting More Efficient Won't Do the Job

Based on more than 60 interviews, we found that leaders typically aim to increase efficiency in unplanned work by getting closer to the business, so legal can anticipate issues that may arise and identify issues sooner when they do occur. The reasoning is this: Legal can avoid inefficient last-minute work and even plan ahead for potential emerging issues.

Providing decision principles for unplanned work has more than double the impact of early identification of emerging issues (See Figure 3). This makes sense. Early identification is hard. Several general counsel told us that even though their organizations had pandemic plans, they could not make use of them.

Figure 3. Impact of Approaches on Unplanned Work Efficiency

Percentage of Maximum Improvement as a Result of Moving From 10th to the 90th Percentile Performance in Each Approach



n = 197

Source: 2020 Gartner Legal Department Projects Panel Survey

^a The model's coefficient of determination is 41%.

The Missing Piece: Decision Principles for Unplanned Work to Avoid Trade-Offs

Decision principles are effective because they make expectations clear without stifling individual judgment. These guidelines are useful across a broad range of issues because they provide repeatable, scalable guardrails that remove uncertainty and overconservatism — a common problem in legal departments. These guardrails help develop lawyers’ judgment skills and create consistency, which reduces unnecessary escalation and limits shopping for favorable legal guidance (see Figure 4).

Thus, legal departments that achieve efficiency by providing their lawyers with decision principles will trade off department priorities less often when unplanned work strikes.

Within legal departments, decision principles fall into two categories: those relating to the risk tolerance of the business and those that guide lawyers in resourcing decisions. For maximum benefit, legal leaders should provide a full gamut of principles in these areas, but only 29% do.¹

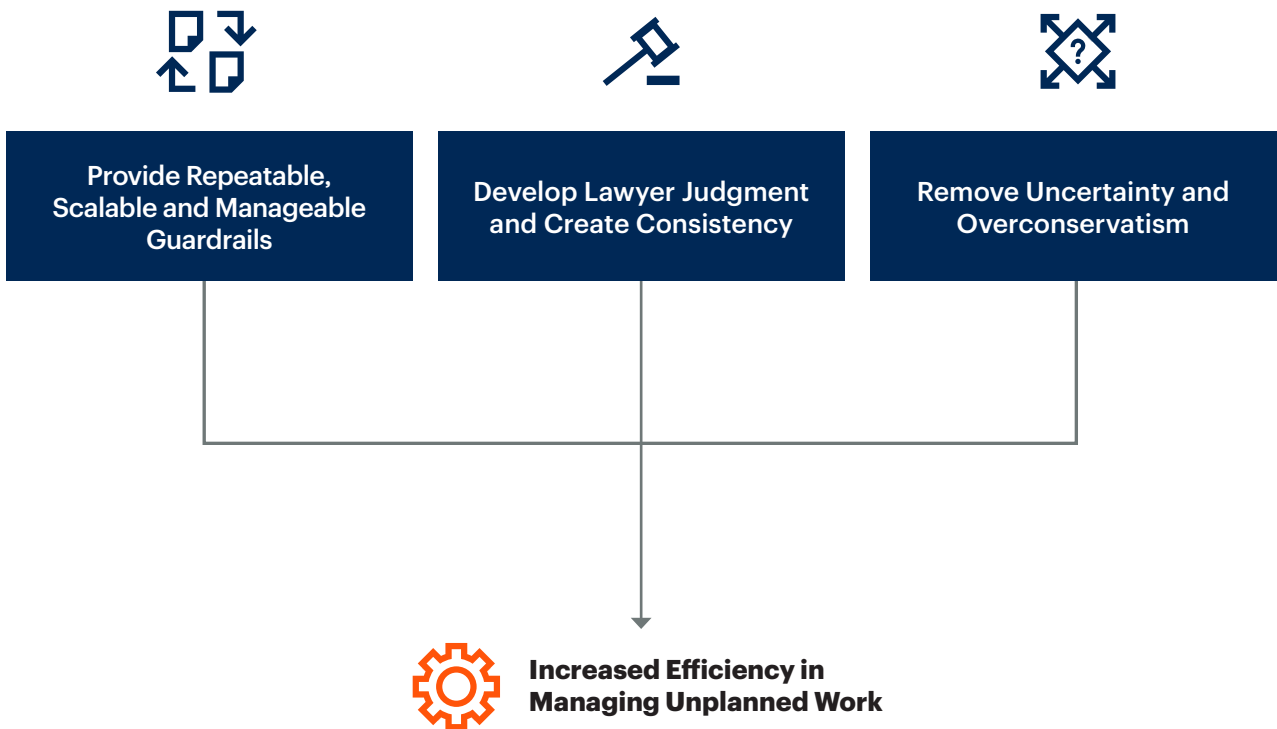
To create decision principles for unplanned work, legal leaders should:

1. Establish, iterate and codify risk tolerance based on strategic objectives.

When unplanned work arises, risk tolerance can change quickly and often. In the absence of decision principles, ad hoc decision making can lead to excess iteration and rework. Lawyers can gather too much subject matter expertise — too much attention to quality — and deliver overly conservative guidance

Because quality for legal means avoiding the right risks while enabling strategic outcomes, the “must-have quality” guidance should come in the form of “must avoid outcomes” (MAOs). MAOs are high-level scenarios that would keep a company from achieving strategic objectives. They allow lawyers to identify must-have quality — appropriate risk tolerance — in their guidance to the business. To develop MAOs, legal leaders should agree on key strategic objectives with business partners and brainstorm potential

Figure 4. Why Decision Principles Elicit Greater Efficiency in Unplanned Work



Source: Gartner

outcomes that would constitute threats. Examples include loss of license to operate in a jurisdiction or noncompliance with a consent order with a primary regulator. To implement MAOs, leaders should select a risk advocate within the legal department who can coordinate positions on related emerging issues and serve as the legal point of contact and expert for other functions. This helps align baseline risk tolerance across a range of issues, and it enables quick identification of necessary stakeholders and coordination of goals.

2. Provide lawyers with easy-to-use guidelines for resourcing decisions so they can manage and produce high-quality unplanned work.

Lawyers resist stringent resource constraints because they feel these will adversely affect the quality of their work. But they can spend time on work that doesn't require legal skills when others have spare capacity. They can also default to their go-to resources, missing opportunities to reduce costs or use more relevant resources. Legal leaders should provide lawyers with easy-to-use guidelines for maintaining quality that will make work easier, building buy-in to make working with legal's preferred resources the path of least resistance.

Unplanned issues may themselves be unique, but often the tasks that constitute a response are common to a whole host of them. Legal leaders should identify trends and discuss resourcing requirements based on the knowledge and experience needed for those common activities. They should then map out existing providers and align them to resourcing requirements for these assignments. The final step is to identify gaps in providers for future investment.

¹ 2020 Culture of Quality During Disruptions Survey

² 2019 Culture of Quality Diagnostic Benchmark

³ "COVID-19 Flash Poll Series: Wellness," Association of Corporate Counsel.

⁴ 2020 Gartner Legal Department Projects Panel Survey.

Applying Agile Methods Outside IT

by Peter Young

Teams can only act and react as fast as their often cumbersome decision-making apparatus allows. That's why many corporate functions outside IT are adopting aspects of the Agile project management methods designed during the 1990s for software developers. Fast iterations and built-in process flexibility kept them from wasting time creating products that were obsolete by the time they reached the market.

Given that these ways of working were designed for an unpredictable business environment, it's no wonder that 25% of internal audit leaders told us they were launching Agile pilots last year. Another 17% were already using these methods for certain processes.¹ Also, 63% of HR leaders report using Agile in some capacity.² Here's a look at how five teams in those two functions and in corporate communications are getting selectively familiar with Scrum Masters, sprints, Kanban boards and standup meetings. Elements can be mixed and matched as any given department sees fit. Examples of benefits include a faster response to the coronavirus pandemic, improved efficiency and better collaboration among teams.

Agile Project Management: Basic Definitions

- **Scrum:** Relies on regular checkpoints that allow a team to decide whether to adjust a project plan. Work is organized into self-contained "sprints" — a set time frame to complete a group of goals.
- **Kanban:** Revolves around the "Kanban board," which visually displays progress against tasks for a particular project, its owners, due date and criteria for completion.
- **Stand-up meeting:** Participants gather briefly at frequent intervals to discuss their progress on individual tasks, speeding up work on the most important items.

Internal Audit: Keeping Up With the Pace of Change

Audit departments want to more efficiently provide assurance of an ever-expanding and constantly shifting risk universe. Agile’s defined checkpoints prompt auditors to review their findings and add, remove or reprioritize testing.

Aflac’s Scrum Master and Auditor Pairing: More Work Done and Fewer Delays

To get more efficient and reduce delays, the U.S. insurance company Aflac opted to redesign audit planning and staffing based on Agile methods.

Internal audit organized its team structure around a Scrum Master and auditor pairs (see Figure 1). Instead of pulling auditors from a pool to work on individual engagements, Aflac assigns two — one senior and one junior — to work together throughout the year. The Scrum Master (derived from the former audit director position) assumes responsibility for departmental audit planning and scoping along with running daily stand-up meetings and reviewing work papers.

Aflac divides the year into 26 two-week sprint segments during annual audit planning. Each audit engagement takes anywhere between one and five sprints to complete, and the Scrum Master typically assigns one auditor pair per engagement. Aflac’s process includes the following components:

- Check-ins at the start of each sprint between each auditor pair and the Scrum Master. They set expectations to make sure they have the capacity for tackling anticipated issues.
- Daily meetings between the pairs and the Scrum Master during the sprint. They discuss tasks completed the day before and those that will likely be finished that day. The Scrum Master provides coaching, addresses delays and makes real-time, risk-based changes to an audit’s scope.
- A client liaison assigned to each project to review and vet findings with the auditee throughout the engagement. The liaison helps focus the audit on the value it will provide to the business.
- The Scrum Master has authority to stop the audit any time a sprint is complete if useful conclusions are ready. This allows for quick changes to the audit plan without wasting time on unnecessary work.

With Scrum, Aflac completed 60 audits (compared to 40 the year before) with just 75 hours of scheduled audit work left incomplete that year (down from 1,500 hours the year prior). The team also boasts higher client satisfaction scores.

Aflac’s audit team has not delayed any active engagements due to COVID-19. In fact, some projects were finished ahead of schedule.

Figure 1. Aflac’s Simplified Team Structure



Source: Adapted From Aflac

Alex Stephanouk, Aflac’s senior vice president of internal audit, credits that success to Agile. He also cites the continuity of audit pairs as useful in a remote world where everything else is different.

HR: Translating Agile Values to Help the Workforce

HR leaders face mounting pressure to cut costs, deliver on the employee experience and implement the right policies. Agile methods and values can help HR understand worker needs and collaborate with end users to adjust when necessary.

Medtronic’s Innovation Garage: Creations That Improve the Employee Experience

At Medtronic, HR’s process for designing employee solutions relied too much on the function’s own understanding of the issues (e.g., onboarding, recruiting, employee questions) and too little on input from end users. It risked creating irrelevant products with low adoption rates. So

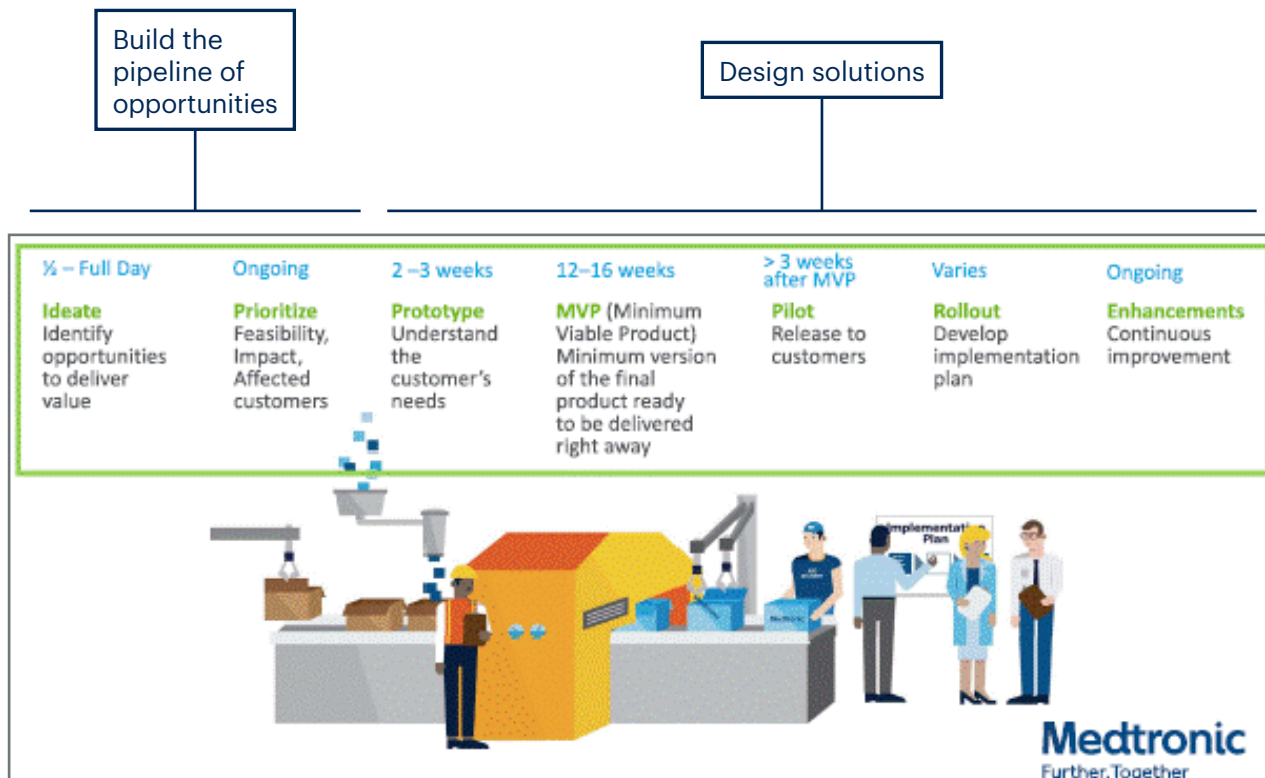
the medical device company set up an innovation garage. The term is a reference to the humble origins of many Silicon Valley companies where Agile methods gained prominence. In a happy coincidence, it’s also a nod to the company’s own founding in a Minneapolis garage (see Figure 2).

The process relies on three overarching strategies:

1. A focus on customer pain points and co-creating solutions with end users
2. A condensed timeline for creating and implementing solutions using design thinking sessions, sprints and minimum viable products (MVPs)
3. Evaluation criteria for when and to what degree to apply Agile methods

The core team, six people from HR, is supplemented on a project-by-project basis by other employees (e.g., process owner, end users, IT) who provide perspective and assistance.

Figure 2. Medtronic’s Innovation Garage



Source: Adapted From Medtronic

HR sources ideas from the workforce via surveys, idea submission forms and design thinking sessions. Using a matrix based on feasibility and impact, the team places a proposal into one of three categories:

- **Just Do It:** Popular ideas that are limited in scope and relatively easy to implement
- **Fast Follows:** High-impact, complex solutions that will require greater exploration and feedback
- **Save for Later:** Solves a persistent customer issue but is too complex or too costly to implement

Project timelines can flex. For instance, the “just do it” initiatives can be fast-tracked. When applied fully, though, the garage works like this:

- **Prototyping:** The core team collaborates in two- to three-week sprints with employee participants and HR process owners. If everyone agrees on a prototype concept, participants move on.
- **MVP Creation:** Over three months and once again using sprints, the team tests working versions with end users. It incorporates feedback and uses the success measures it established during prototyping to test the solution’s readiness for the next phase.
- **Piloting:** More sprints over a period determined by the complexity of the experiment. A bigger group of end users offers feedback on the prototype.
- **Rollout and Enhancements:** Once the MVP is improved based on the pilot, the garage team partners with the chief human resources officer and relevant business leaders on a broader implementation. Even after rollout, the garage periodically enhances and updates the solution based on more feedback.

The innovation garage team found that two of its creations, both virtual assistants, allowed employees and HR staff to use tens of thousands of hours each year for other work. One “assistant” made it easier for managers to find and select the right job code for a new or existing position, eliminating rework — and freeing up an estimated 20,000 manager hours and nearly 4,000 HR hours per year. Another answered HR FAQs, increasing the accuracy of responses to employee questions, saving 25,000 employee hours and 20,000 HR hours per year.

S&P Global’s People Agile Team: A Dynamic Internal Consultancy

The ability to create space for strategic thinkers to solve employee problems is one way to judge the success of applying Agile values. S&P Global did this by assembling and deploying 36 HR staff skilled in project management and collaboration. The financial services firm’s People Agile Team works on an average of 20 projects simultaneously in areas ranging from leadership development and culture to onboarding and total rewards.

To handle such a wide range of topics, the People Agile Team collaborates on a project-by-project basis with internal subject matter experts, including HR business partners, IT, branding and communications. Staffing for each project is flexible and decided by the global project management office.

The result: an internal consultancy dynamically deployed to solve HR problems. “Products are being completed and delivered to our employees faster than ever before,” S&P Global’s chief people officer told us. What’s more, team members say the experience helped their careers by allowing them to try new things and empowering them to make decisions.

Communications: Aligned, Flexible Messaging

Change fatigue is the No. 1 urgent problem cited by corporate communications leaders over the past two years.³ Content teams need to pivot to adapt to rapidly shifting external circumstances. Agile’s focus on transparency and adaptive processes is one way communications teams can make sure their messaging keeps up.

ING’s Cross-Staffed Content Teams: Responsive Publishing

ING’s communications function restructured its content production teams to swiftly align to changing business objectives and mirror the larger organization’s adoption of Agile. Cross-staffed project teams at the multinational financial services firm brought together a diverse group of specialists for sprint-style collaboration.

One example: ING’s “wholesale banking squad,” a cross-functional group of specialists, each with expertise in areas such as writing, video, channels, business partner relationships, events or branding.

Sprints intersperse periods of simultaneous work by all team members with stand-up meetings that keep everyone coordinated, improving quality and speeding time to publish (see Figure 3). Sprints for large projects may run over three to four weeks with weekly stand-up meetings, whereas smaller content pushes require only one meeting, with publication just a few days later.

The wholesale banking squad has authority to pursue the projects it judges best for its audiences and the business. Accountability for the results motivates squad members to take ownership.

Since implementing these techniques, content impact and response times have improved. In fact, ING's communications team credits Agile for its ability to forge immediately ahead when business goals changed as the coronavirus spread. The squad published four scenarios for the global economy and financial markets — through the pandemic and beyond.

Economical Insurance's Kanban and Stand-Up Meetings Integrating Marketing and Communications

Communications leaders at Economical Insurance used a Kanban board and stand-up meetings to increase collaboration and dialogue between newly integrating marketing and communications functions.

The Kanban board documents campaigns underway on sticky notes, placed according to the internal business unit they support and the target audience.

In some cases, the board allows team members to confirm that various campaigns and tactics are strategically aligned. At other times, its visual nature reveals conflicts, requiring adjustments to the nature or sequencing of campaign activities. The communications leaders implemented stand-up meetings as a pilot with a focus on continuous improvement. Survey results revealed that 80% of team members felt that the stand-ups increased awareness of projects throughout the department, while 65% thought these huddles helped identify opportunities for collaboration.

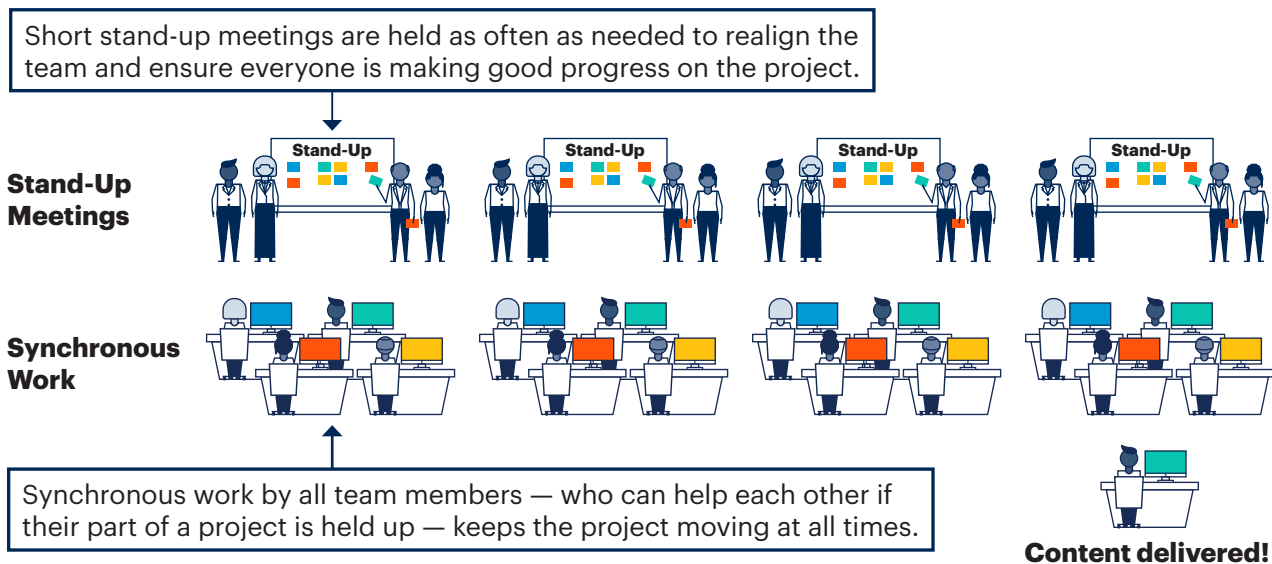
Feedback led leaders to provide a standard format for the boards and extend meetings from 15 to 30 minutes. In essence, they took an agile approach to Agile, a concept all functional leaders can learn from.

¹ 2019 Audit Budget and Headcount Survey

² 2020 Gartner Agile HR Function Survey

³ 2018-2019 Gartner Communications Leadership Council Agenda Poll

Figure 3. Stand-Up Meetings and Synchronous Work



Source: Adapted From ING

Briefs



Smarter Spending & Planning

To Deliver Cost Savings, Carrots Are as Crucial as Sticks

CFOs build their cost reduction strategies by first securing C-suite and board-level support. Then they begin wielding the proverbial “big stick,” establishing aggressive targets and enforcing them through a tracking mechanism.

Yet only half of finance teams are effective at delivering cost savings initiatives. This is because they often fail to balance out the big stick approach with a tasty carrot or two. Finance leaders can avoid generating unnecessary tension with functional leaders by providing collaborative decision-making support and developing attractive incentives.

Support cost-saving activities within business units by offering resources, including consulting services or technology, to develop better insights. Finance teams can develop benchmarks to demonstrate how certain cuts in spending won’t undermine core business objectives.

CFOs should also consider a blend of social incentives to help promote a positive culture around cost savings, such as an intra-company competition. Some CFOs are introducing winbacks that allow business units to regain a portion of their cost savings and use the money to fund innovative projects or perhaps as an additional bonus payout.

— Brian Stickle

Fast-Track Support for Critical Suppliers in Distress

When COVID-19 troubles hit suppliers hard, standard support may not be enough and normal channels could be too slow. One procurement head created a flexible assistance system that mitigates financial risk.

For potentially vulnerable vendors, particularly those with access to confidential technology essential to the business, the procurement head approached top management to arrange the following:

1. Allow procurement to act on its own for smaller steps, like modifying payment terms, bringing work forward or advancing payments.
2. Give procurement a fast-track mechanism to get executive committee approval for bigger actions like acquiring a vendor or investing in its stock.

For financial support, the company will seek guarantees that “we’re not just sinking money into a creditor payment pool” for organizations that will fail, this procurement head told us. Contingencies would allow access to something of value if the supplier collapses. Nothing’s off the table as an ask — from materials to intellectual property. An example: first right of refusal to offer a job to a staff member with “skills, expertise, knowledge, history which would be valuable to us,” he said.

Ultimately, the company hopes to keep its most important suppliers alive — and leave a good impression that lasts as conditions improve.

— Jessica Kranish



Talent & Culture

How to Unlock Workforce Responsiveness

A responsive workforce is at least 20% more likely to overperform against corporate goals such as profit, customer satisfaction, productivity and innovation. Responsive employees know customers well, anticipate changing needs and can shift resources and adjust direction as needed. But only four in 10 meet this description.

The problem isn't staff – they are confident in their ability to adopt agile practices and they want to work in this way.

What stops them are four areas of friction on the job: too-rare reassessment of work design, overwhelmed teams, trapped resources and rigid processes. Happily, it's possible to ease conditions:

1. Instead of the occasional overhaul to roles and structure, make smaller ongoing adjustments to stay aligned to the way work gets done day-to-day on the ground.
2. Make workload manageable by setting clear boundaries for team activities. This will help teams prioritize tasks, connections and information effectively.
3. Increase resource mobility by pushing allocation decisions to managers and teams. This will help budget and talent quickly shift to areas of need.
4. Change the default answer from “no” to “go” to make processes flexible and give new ideas a chance to flourish.

— *Cian O'Morain*

Mental Health Offerings Can Boost Engagement

The majority of millennials and Generation Z, who now collectively make up the largest segment of the workforce, say they want more support from their employers in managing stress.

During the era of remote work and lengthy lockdowns, this assistance is needed more than ever. Employees report a wide range of negative emotions and symptoms, including loneliness, exhaustion, sadness, irritability and insomnia.

The following offerings typically have a positive impact on employee engagement:

1. Support groups (5.5% increase in engagement)
2. Mental health assessments (3.1%)
3. Employee assistance programs (2.5%)

A few adjustments can keep this help available in a virtual world. For instance, organizations can establish digital support groups using secure technologies to increase the reliability and scale of access. This is important because, while only 17% of employees participated in mental well-being benefits last year, organizations are already seeing a surge in their use of benefits that support employees' mental well-being. In fact, some vendors offering virtual mental health support have reported a 50% increase in the number of sessions taking place during the first quarter of 2020.

Beware of mental health mobile apps, however. Research conducted before the pandemic showed that they can damage engagement by 3.7%.

— *Ben Szuhanj*

Briefs

Growth & Innovation

R&D Leaders Look One Step Ahead

In the initial stage of the pandemic response, research and development (R&D) leaders prioritized immediate customer needs and short-term projects to bring in fast revenue. Now it's time to scan the horizon and identify investments to safeguard the lasting viability of their organizations. R&D leaders who look one step ahead can help their companies adapt to new market realities once economic conditions improve.

This means probing how customer priorities and expectations have changed during the crisis. R&D will get valuable clues to inform the next stages of product development.

Scenario planning is a useful tool—not only

to identify risks and uncertainties, but also to unearth opportunities. Use scenarios to stress test the resilience and viability of the entire portfolio.

Thinking ahead also means reevaluating R&D strategy and plans. Reassess technology and product roadmaps against a list of megatrends your organization wants to exploit. This exercise will highlight any existing capability gaps.

Teams can then use a structured decision framework to either accelerate, retire or defer investments, freeing up resources for strategic growth opportunities.

These actions will help explain the growth potential of the product plan to stakeholders.

— Svetlana Golden

The Art of the Virtual Sales Pitch

Pitching to a prospect over video or phone is a very different experience than a live meeting. But the pandemic is driving change: in a June poll, 23% of chief sales officers reported plans to permanently shift field sales roles to virtual positions.

In a virtual setting, customers are likely to have lower attention spans, their behavioral cues are harder to read and stakeholders may be reluctant to speak up making it difficult to facilitate consensus.

Sellers can adapt with these tips:

1. Communicate a narrowly scoped agenda.
2. Limit the number of participants; tightly define their roles and objectives.
3. Intentionally use pauses to prompt customer participation and check for comprehension.
4. Make selective use of expert participation regardless of location.
5. Create shorter content that's suited to 30-, 45- or 60- minute intervals.
6. Prioritize information that is critical to educate customers and provide buying help that requires stakeholder inputs and or approval to advance the conversation.
7. Set and communicate expectations about shorter but potentially higher number of meetings.
8. Clarify next steps and promptly email those details to follow up.
9. Ask the senior customer stakeholder to stay on the meeting platform for five extra minutes to discuss progress with the seller.

— Neha Ahuja



Data & Technology

4 Enforcement Priorities for California's New Privacy Law

The global pandemic didn't stop California Attorney General Xavier Becerra from promptly starting to enforce the state's new privacy law when it was permitted in July. Violation notices went out fast.

While we don't offer legal advice, insights from Becerra's staff, privacy lawyers and activists, suggest the state has four priorities for compliance with the California Consumer Privacy Act (CCPA).

1. A website link for consumers to opt out of the sale of their personal data—this requirement is different from provisions in the EU's General Data Protection Regulation (GDPR).
2. Health data – inform employees what the company is collecting and why.

3. Data valuation calculations – Becerra's office has worked with accountants to determine how to do this.
4. Protection of minors' personal information – parents must approve sale of data for anyone under 13.

Taking steps now could pay off later. If the ballot initiative known as "CCPA 2.0" passes in November, creating a new privacy enforcement agency, the risk of noncompliance will be higher because the new agency will get \$10 million in funding. In addition, more than a dozen U.S. states are weighing privacy laws modeled on the CCPA.

— *Laura Cohn*

Data Scientists Are Hiding In Plain Sight

Although data scientists are a scarce commodity in the labor market, their skills and competencies for the role are more common—or more possible to cultivate—than you might think. To identify staff you can train and expand the candidate pool, deconstruct the job into its requirements and look for others who have similar knowledge and work activities.

1. Capture up to 100 skills associated with the data scientist role. Examples: machine learning, project management, product development, data mining, natural language processing, SQL, Hadoop, Python.
2. Use a job description database to generate a list of potentially adjacent roles. Examples: applied mathematician, data analyst, digital marketer, librarian, professional gambler.

3. Define each comparison role as a set of skills. Examples: applied mathematician—algorithms, design of experiments; librarian – creativity, problem solving, customer orientation.
4. Measure the semantic distance between a data scientist and comparison role using a method like the Jaccard Index or cosine similarity technique. On a scale of zero to one, a zero means the two are entirely dissimilar and one means they are identical.
5. Map your findings to illuminate which roles are closest and to weigh whether you can teach those farther away to close the gaps.

— *Ariel Silbert and Farhod Yuldashev*

A New Role for CFOs in Capturing Value



COVID-19 drove businesses to assimilate, but outinvesting and outfinancing competitors doesn't lead to long-term value. To protect ROIC, reprioritize resource allocation.



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