

Gartner Business Quarterly

Proven Guidance for C-Suite Action

Fourth Quarter 2020

The Resilient Enterprise

Resilience Is an Urgent C-Suite Priority

**Eliminating Barriers to
Technology Work Across
the Enterprise**

**How to Import Temporary
Talent from Law Firms and
Suppliers**

**The Secret to Marketing
Through Disruption**

**The Route to a More
Resilient Supply Chain**

**Analytics Showcase 2020:
6 Data Plays That Informed
Fast Business Moves**



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Fourth Quarter 2020

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The Resilient Enterprise

Letter From the Editor

Executives in every quarter of the enterprise are telling us they learned a huge lesson this year: lean, mean and just-in-time doesn't work so well when the whole world is immersed in turmoil. And with no shortage of global crises ahead, it's time to consider where buffers and flexibility should take priority.

"Resilience" is the word of the hour, even in the throes of recession. In this issue of *Gartner Business Quarterly*, we make this gauzy concept concrete. As Roberta Witty and Peter Young write in our top story, the organization as a whole "must build the capability to bounce back from any kind of setback — whether it's a pandemic, natural disaster, economic change, government decision, competitive onslaught, cyber attack or espionage."

In a series of short articles, we'll explain how the executive team should set overall resilience plans; we'll also deliver specific, cost-effective (and underused) tactics for a more adaptable culture, workforce, supply chain and business model. You'll learn how to be nimble without becoming distracted, how you can expand your team temporarily with people who already know your business, how to automate — in phases — to free up capacity, how to weigh where it's necessary to build in extra options and, just as importantly, where it's not. Even purposeful ESG spending can help your company withstand and recover from disruption.

You'll find real-world experience shared by leaders at an international group of organizations, both large and midsize, private and public, including TE Connectivity, Marks and Spencer, CHEP Europe, UPS, Coca-Cola, İşbank, St. Michael's Hospital of Unity Health Toronto and the Virginia Department of Transportation.

Each issue of GBQ advises 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.

The journal also includes departments that keep you up to speed — Cutting Edge, a graphics-intensive look at provocative new data, and Briefs, short takes about smarter spending and planning, talent and culture, growth and innovation, and data and technology.

We welcome your feedback. Please contact me at judy.pasternak@gartner.com.

— Judy Pasternak

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45 Leaders Should Help Teams Save Mental Energy as Small Changes Pile Up

Functional leaders manage big changes, such as mergers, not the cumulative impact of workflow adjustments and technology glitches. But the small stuff is what saps employees' ability to cope. You don't have time to help each person, but frequent tracking and peer support get big results.

50 Keep Innovating Your Business Model to Weather the Unknown

While adaptation has always been part of business, executives need a systematic way to start probing current models and inventing new ones rather than reacting to ongoing complications from COVID-19 or new turbulence. Start finding options for innovation now and have a process for shifting them when the need arises.

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These organizations used data and predictive tools to quickly right size staffing, help employees course-correct, minimize inventory costs, beef up sales and adjust marketing spend.

The Cutting Edge: 4Q20

Cool New Data Points

Compiled by Oana Lupu



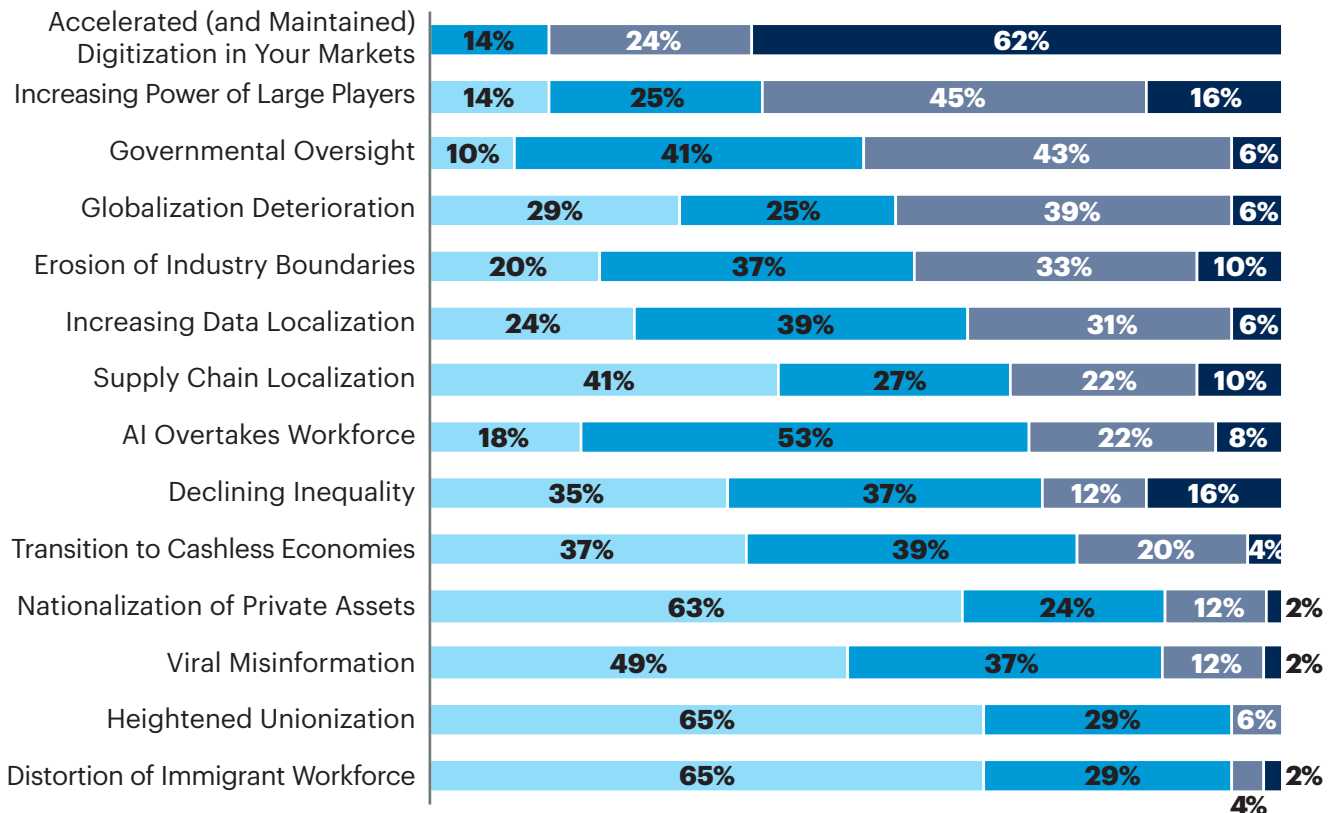
The Trends That Strategists Are Watching

Heads of strategy are paying attention to the growing power of large players, governmental oversight, the deterioration of globalization and the erosion of industry boundaries. They are actively planning for faster digital changes in their markets. What most aren't monitoring: unionization and the immigrant workforce.

Future Trend Monitoring

Degree of Awareness

■ Not Monitoring
 ■ Lightly Monitoring
 ■ Closely Monitoring
 ■ Planning



n = 51

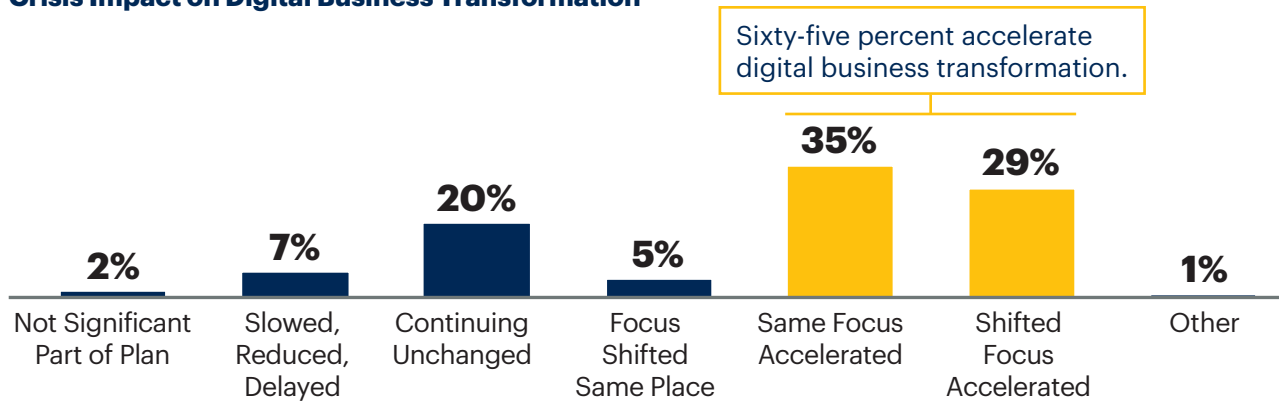
Source: Gartner



A Twist on Digital Acceleration: More CEOs Now Want to Be Fast Followers

Sixty-five percent of CEOs and senior managers say the virus crisis is speeding up digital business transformation, and 29% say they've shifted the focus of their previous efforts. But their appetite to be first to introduce business innovations in their markets has been waning. On the upswing: Nearly half now want the capability to jump in soon after others lead the way.

Crisis Impact on Digital Business Transformation



n = 110

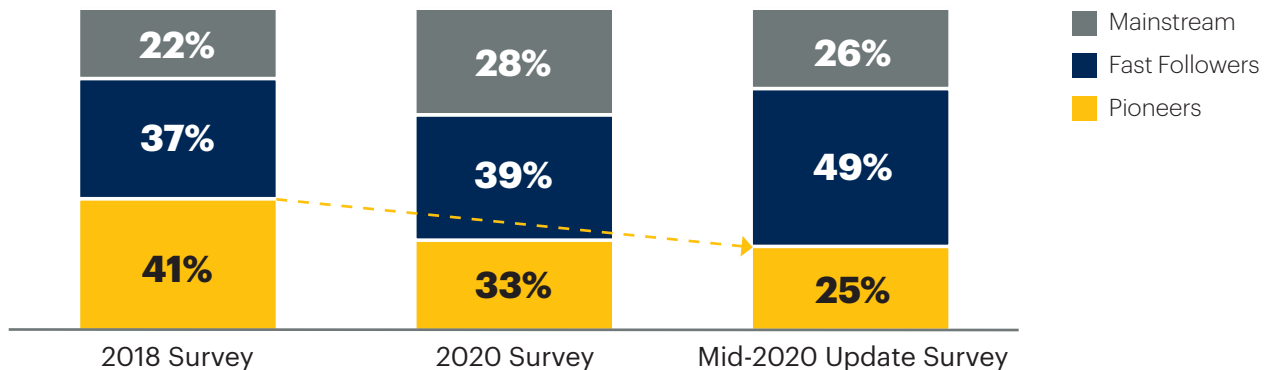
Q: Which best describes the impact of the combined COVID-19 and economic crisis on your approach to digital business transformation?

Source: Mid-2020 Update Gartner CEO and Senior Business Executive Survey

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

But Pioneer Bullishness Is Dented

Approach to Business Innovation



n = 460 (2018), 444 (2020), 110 (mid-2020 update)

Q: Which of the following best describes your organization's approach to business innovation?

Source: Mid-2020 Update Gartner CEO and Senior Business Executive Survey

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



The Purpose of the Postpandemic Office

Two-thirds of employees would like to work from home at least once a week after the pandemic. Most companies (72%) expect to reduce their real estate footprint by 10% or more in the next two years.

When deciding how to redesign the workplace, executives should ask themselves:

- What “job” will employees “hire” the office to fulfill for them postpandemic?
- What experiences can only the corporate office offer?
- How can the office evoke pride, excitement and interest in ways other spaces cannot?

Work Locations Offer Different Value Propositions



Source: Gartner

Predictions of Future Workplace Purposes

Workplace Purpose	Design and Investments
Development Workplace	Classrooms, library space, meeting and social spaces
Wellness Retreat	Amenity-focused, unique spaces for reenergizing
Immersive Workplace	Heavy branding, many meeting spaces and customer/client-facing spaces
Destination Workplace	Outdoor space, dining and hospitality services
Innovation Hub	Physical collaboration tools, video walls, formal/informal collaboration spaces, few workstations

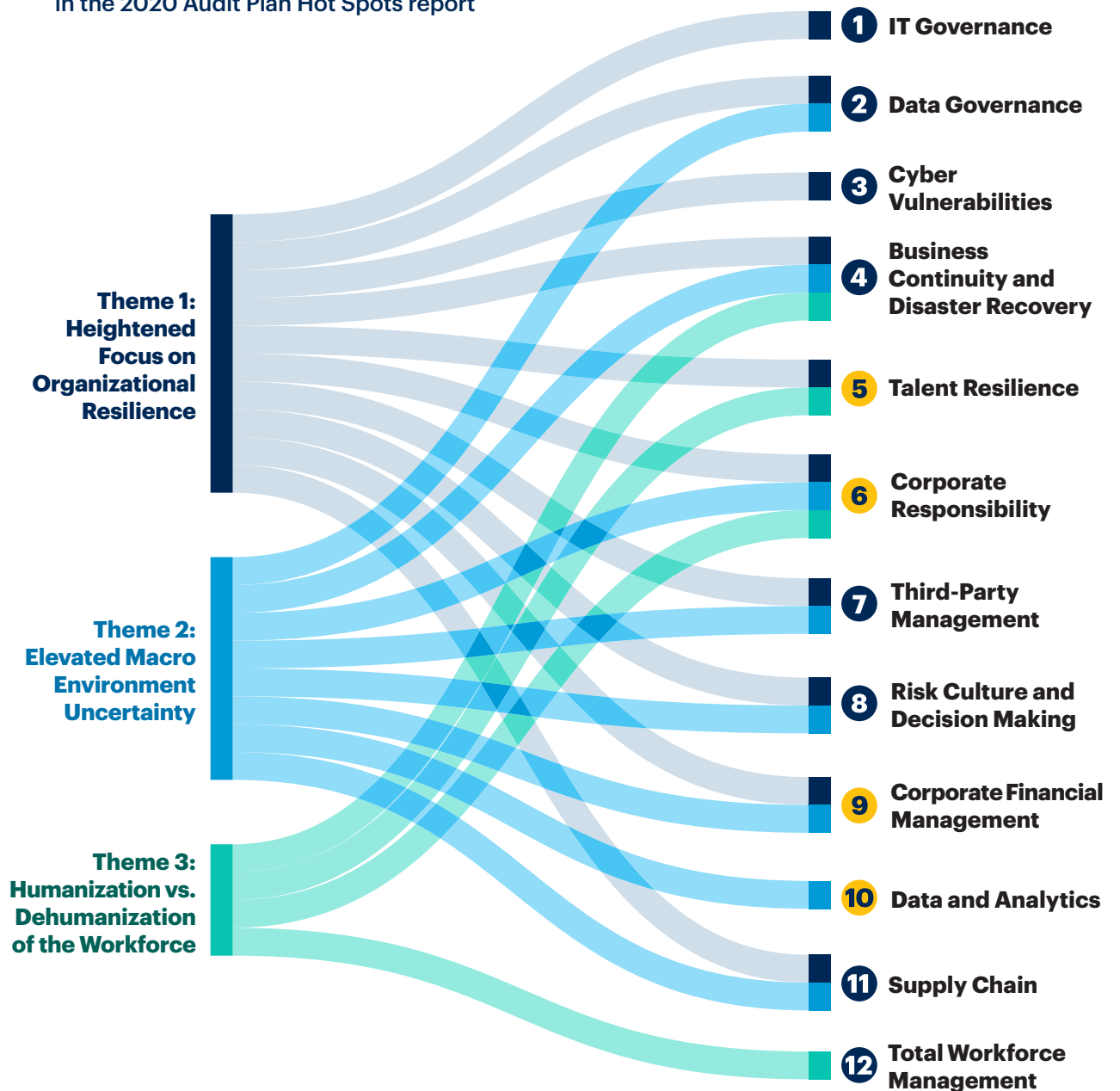
Source: Gartner



12 Top Risks Auditors Are Concerned About for 2021

Pay attention to these areas auditors are likely to ask you about during their engagements, according to our survey of 90 chief audit executives (CAEs) and more than 50 structured interviews with CAEs and IT audit leaders.

● New hot spots that were not included in the 2020 Audit Plan Hot Spots report



Source: Gartner

Be prepared to answer auditor questions such as:**1 IT Governance**

- What kind of governance and reporting is in place for management of exceptional conditions or events and for minimizing business disruption following changes in IT infrastructure?
- What kind of monitoring activities are in place to identify inappropriate access to documents or applications?

2 Data Governance

- What data collection policies for health-related data are in place?
- How do you make sure third parties are aware of and adhere to data management policies?

3 Cyber Vulnerabilities

- What guidance have you provided to remote workers on securing home networks and appropriate security behaviors when they share their home with others?
- How often do you conduct mock-phishing tests to see how many employees click on suspicious emails?

4 Business Continuity and Disaster Recovery

- What lessons have you learned from the COVID-19 pandemic response, and how have they been incorporated into current business continuity plans?
- Who in the organization owns creating, updating and maintaining business continuity plans?

5 Talent Resilience

- How do you assess employee engagement levels?
- What gaps currently exist between the skills available in the organization and those necessary to successfully execute digital strategy?

6 Corporate Responsibility

- What are the sustainability-related strategic objectives of the organization?
- What processes are in place to track progress on D&I initiatives?

7 Third-Party Management

- Which of the third parties that you use pose the most risk to your organization, considering financial health and performance history?
- What monitoring and reporting activities are in place to understand changes in third-party risk exposure levels?

8 Risk Culture and Decision Making

- What types of fraud are most relevant to the organization and what steps has the organization taken to mitigate them?
- How are you monitoring regulator statements or investigations in areas where you have recently changed controls or business processes?

9 Corporate Financial Management

- What actions are you taking to consolidate ties with existing creditors to drive the continuity of current credit arrangements?
- How do you perform financial reviews of critical third parties and customers?

10 Data and Analytics

- How will you adapt internal controls, automation or management procedures to reduce or correct accuracy issues?
- What steps are you taking prior to implementation of AI and ML tools to make sure data is appropriate for use?

11 Supply Chain

- How are you considering moving away from single sourcing to improve resiliency?
- How do you assess potential cyber vulnerabilities of a supplier before entering a contract?

12 Total Workforce Management

- How are you training managers to manage remote or hybrid (i.e., some employees on-site and some remote) teams?
- What processes have you established for sourcing, interviewing and onboarding new employees in a virtual environment?

Resilience Is an Urgent C-Suite Priority

by Roberta Witty and Peter Young

In the wake of global crisis, C-suite and functional leaders are telling us they must build the capability to bounce back from any kind of setback — whether it's a pandemic, natural disaster, economic change, government decision, competitive onslaught, cyberattack or espionage.

Resilience, they say, is now an urgent priority:

- Eighty-five percent of senior IT leaders strongly associate resilience with their 2020 roadmap.
- Eighty-six percent of HR leaders report a shift from designing organizations for efficiency to designing for flexibility will have either a moderate or significant impact on their organization over the next year.¹
- Only 21% of supply chain leaders believe their supply network is highly resilient; without planning for a range of supply chain issues, companies may face extended recoveries from disruptions and average profit losses of 42%.^{2,3}
- Sixty-five percent of risk management leaders say operational resilience is among the top three risk areas they're prioritizing because of the current crisis. Fifty-six percent of them put business model resilience in the same category.⁴

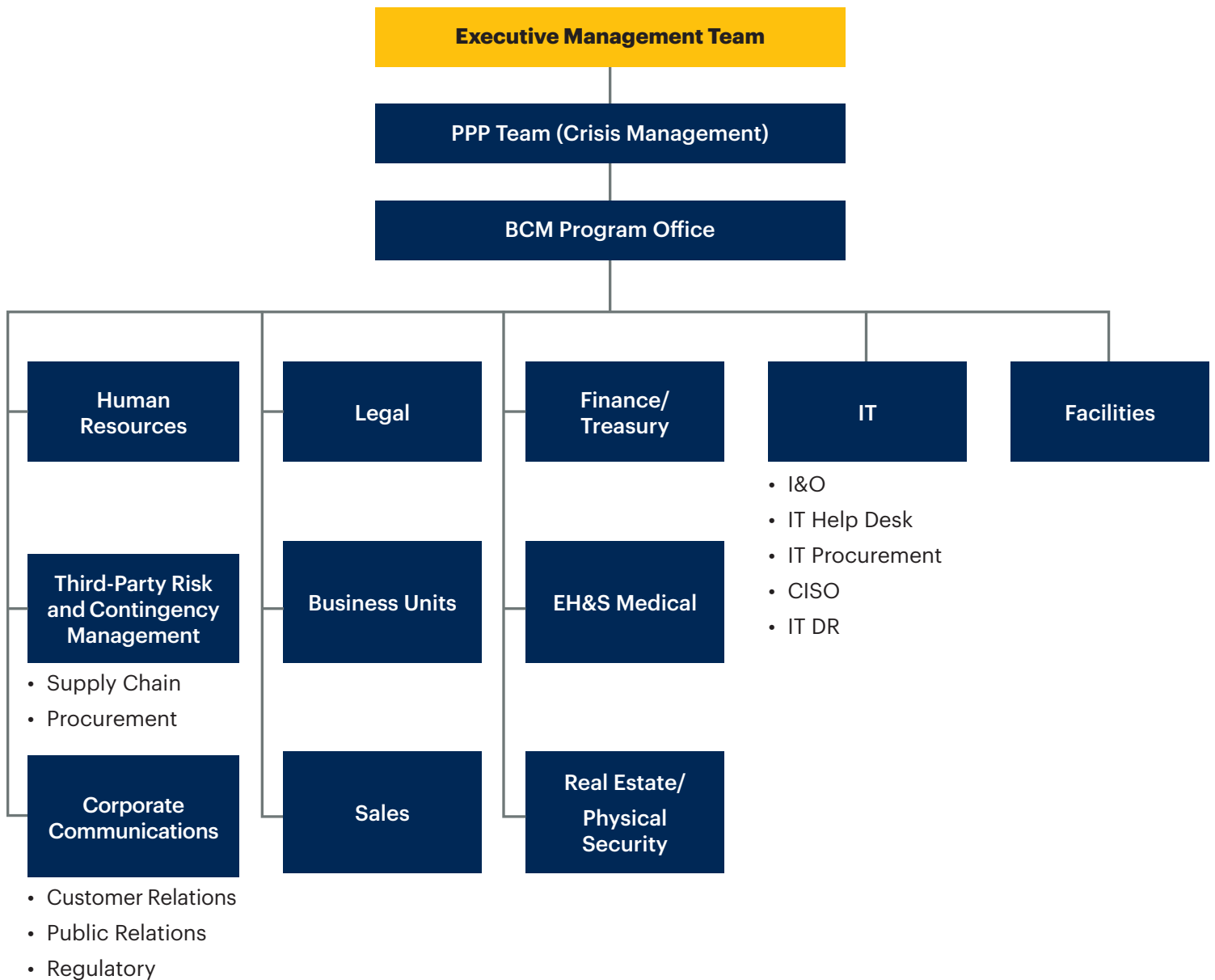
After years of emphasis on lean, stripped-down operations, this is a major change in mindset, and it's happened in the midst of widespread recession. Still, to capitalize on this concept, companies must view resilience as a strategic imperative, prioritizing investment at the enterprise level over other business objectives. That way, they avoid getting caught flat-footed and struggling to compete when the whole world is engulfed in upheaval.

At this point, organizational resilience programs rarely address the full spectrum of risks in a holistic way. So leaders must move beyond the efforts in their own sphere. They should view resilience as an ongoing, coordinated initiative (see Figure 1).

While each function can and should play a different role, the executive team, along with the

crisis management committee and the business continuity management program, must provide governance. They should make sure efforts are not confined to pockets of the organization and combine to meet needs at the corporate level. They must operationalize and combine efforts throughout the company to help the business react and respond to disruption.

Figure 1. Resilience as an All-Enterprise Initiative



Source: Gartner

What We Mean by Organizational Resilience

You can use five layers to better understand, assess and improve overall resilience (see Figure 2).⁵

Leadership and culture resilience refers to the organization's ability to handle adversity and return to a new normal as a group. Are employees trained to handle whatever comes their way? Are succession plans up to date and backups designated for each contact in corporate crisis plans? Is the workforce supported by an environment where people can easily exchange the right information at the right time? Are they also united around a clear purpose and mission? Can they identify, negotiate and resolve internal differences before it's too late?

People resilience refers to individual adaptability on a mental, emotional and physical level. Postpandemic, for instance, 67% of employees report higher stress, and 53% are feeling emotionally exhausted.^{6,7} Helping employees deal with change fatigue can improve their resilience.

Process (or system) resilience refers to the capacity to sustain required operations under expected and unexpected conditions.

Organizational resilience is the ability of an enterprise to resist, absorb, recover and adapt to business disruption in an ever changing and increasingly complex environment to enable it to deliver its objectives, and rebound and prosper.

Resilient processes can run the gamut from those developed using the principles of Agile project management to consolidation of redundant reports from different functions for management.

Infrastructure resilience refers to the traditional areas of focus for resilience. IT, cybersecurity, supply chain and third parties, and physical facilities should be able to withstand shocks and adjust to new operational requirements quickly. Remote work has exacerbated risks related to IT, cybersecurity and data governance, so internal audit executives plan to devote attention to these issues in their 2021 audit plans. They also tell us they'll be looking at cyber vulnerabilities in digital supply chain technology.⁸

Figure 2. The Layers of Organizational Resilience



Source: Gartner

Applying a Risk-Based Lens to Organizational Resilience

To understand threats to organizational resilience, tie existing risk assessments to specific resilience layers (see Figure 3).

After mapping these risks, you'll be able to assign responsibilities to the associated department or risk owner. You'll also be able to more clearly identify how the work being done by certain functions is dependent or connected to the work being conducted by other departments throughout the organization. This view will enable you to spot opportunities for disparate functions to align on shared priorities, avoiding duplication of effort. It's also an effective window into how efforts to increase resilience might lead to risks in their own right.

This scaffolding can simplify creation of status reports for management review. The comprehensive view will help the executive team prioritize mitigation plans and recovery investments based on the potential strategic impact and overall resources.

In turn, each relevant function can develop its own set of tactical and operational risk mitigation response and recovery strategies and procedures to help support resilient operations after a business disruption. For example, COVID-19 has prompted many functions to think about resilience within their teams. Some are doing so by training people to do parts of other people's jobs in case one of them becomes ill and documenting what each individual does and how they do it as much as possible.

Figure 3. Sample Risks Mapped to Business Function and Resilience Layers

Risk/Threat	Business Function	Resilience Layer
Senior management has not conducted an all-company meeting in six months.	Communications	Leadership
Frontline employees can't vary from defined service processes to improve customer satisfaction levels.	Strategic Planning	Leadership
Only 13% of the fully funded employee rewards program has been paid out in the last 48 months.	Human Resources	People
Staff turnover is 35% due to a hostile management environment.	Strategic Planning	Culture
Consolidation of four separate collaboration tools has been stalled for 36 months.	Communications	Culture
Management is briefed separately using different heat maps for credit, financial, operations and business continuity risks.	Operational Risk Management	Process
Twenty-three outstanding health and safety violations exist in the headquarters building.	Facilities Management	Infrastructure
Sales have declined by 35% due to lack of digital alternatives.	IT	Infrastructure

Source: Gartner

Why It's Worth It

Yes, redundant staffing, equipment and facilities cost money, and steps to increase resilience can bring their own attendant risks (e.g., increased change).

The truth is, the characteristics of a resilient organization are impossible to implement in a business focused solely on short-term benefits. And thinking beyond the disruption (and short-term choices) at hand pays off. Our analysis of the 2008 financial crisis showed organizations that were able to accelerate their plans during times of uncertainty outperformed their peers immediately after the crisis and sustained that lead over the next decade.⁹

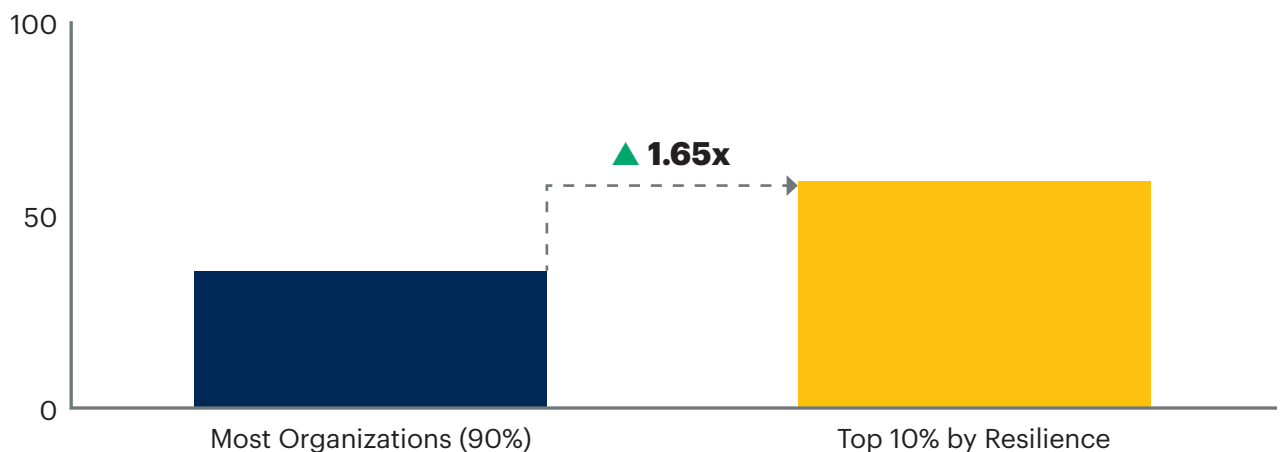
Similarly, organizations that are resilient during the COVID-19 crisis are more likely to say they will use this period as an opportunity to make strategic investments (see Figure 4).

The past year has been an incredibly trying time for organizations and the employees who work for them. As firms plan to rebuild and recover from the shocks of 2020, C-suite and functional leaders should put together those pieces in a way that prepares the organization for the next big surprise.

- ¹ IT leaders: 2020 Gartner Symposium Keynote Survey, n = 124; HR: 2020 Gartner HR Agenda Poll, n = 661.
- ² Supply Chain: 2020 Gartner Weathering the Supply Chain Storm Survey
- ³ [Risk, Resilience and Rebalancing in Global Value Chains](#), McKinsey & Company.
- ⁴ Risk Management: Gartner Risk Management During a Crisis Survey, n = 290.
- ⁵ Gartner also defines 17 characteristics of organizational resilience. Clients can access the full definition by accessing our note: [Building Organizational Resilience Is a Strategic Imperative](#).
- ⁶ [How CEOs Can Support Employee Mental Health in a Crisis](#), Harvard Business Review (subscription required).
- ⁷ [HRE's Number of the Day: Coronavirus Stress](#), Human Resource Executive.
- ⁸ 2021 Gartner Audit Key Risks and Priorities Survey.
- ⁹ "S&P Capital IQ," Standard & Poor's (paid subscription required).

Figure 4. Organizations' Investment Posture Post-COVID-19

Mean Score Comparison



n = 289 (both X and Y axes)

X-Axis Q: How has this crisis impacted your organization's investment posture in the following areas? Indexed rating on a scale from 0-100.
(0 = Significantly Decelerated/Decreased; 100 = Significantly Accelerated/Increased)

Y-Axis Q: In the following performance areas, how would you assess the impact of COVID-19 on your enterprise? Indexed rating on a scale from 0-100.

Source: 2020 Gartner Risk Management in a Crisis Survey

How to Build a Resilient and Responsive Organization

As organizations move from initial COVID-19 response to a more sustainable game plan, they increasingly need to anticipate, strategize, plan and execute at speed.

Questions your HR peers and leaders are asking:



How do we get the right skills in the right place at the right time?



How can we redesign processes and structures to adapt better to disruption?



How can we respond to demands from our customers, as well as our leaders, managers and employees?



Discover 5 strategies and steps to build a more resilient organization.

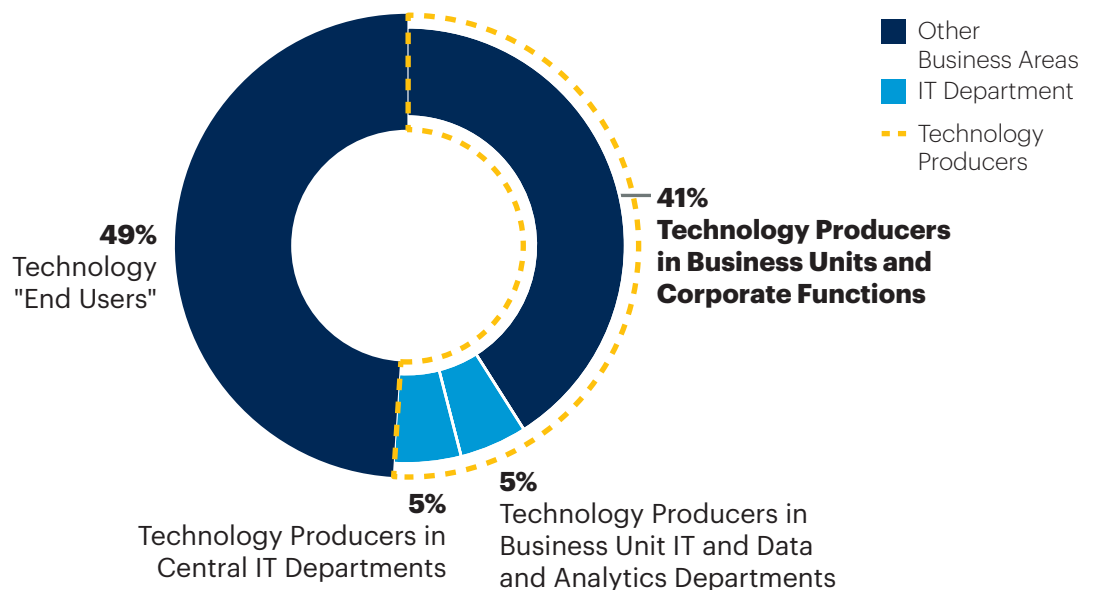
[Download Guide](#)

Eliminating Barriers to Technology Work Across the Enterprise

by Raf Gelders, Jaime Capellá and Jamie Heyes
with contributions from Meghna Joshi, LJ Justice and Anurag Raj

Forty-one percent of employees outside of corporate IT are no longer just “end users” of technology. They are technology producers who customize or build their own analytics or technology solutions to support their work (see Figure 1).

Figure 1. Breakdown of Analytics- and Technology-Driven Work Across the Organization



n = 4,977 employees across the entire workforce
Source: 2020 Gartner Digital Friction Survey

This number varies across industries, ranging from over 50% for industries such as energy and telecommunications, to nearly 30% for the government sector, nonprofits and traditional retail industries. These employees may automate routine tasks, perform advanced analytics, manage vast datasets, build or configure applications and write chatbots as part of their jobs. They may create integration functionalities or develop and maintain websites or web capabilities. And they do this with or without the support of their IT departments.

Unfortunately, however, they encounter obstacles all too often. In fact, 94% of employees still need to exert unnecessary effort when using or producing digital solutions for work, according to our survey of nearly 5,000 employees. Traditional mindsets centered around “command and control” authority and outdated views of technology still prevail at most enterprises, encouraging the belief that “IT is the job of the IT department.”

This digital friction has become a silent killer of employee engagement, productivity and growth.¹

Organizations looking to accelerate digital business must eliminate these headwinds in all parts of the enterprise. The path to recovery from the COVID-19

crisis will require greater focus and investment in digital; it also depends on leadership’s ability to unleash the potential of all employees, ushering in an era of radically distributed IT.

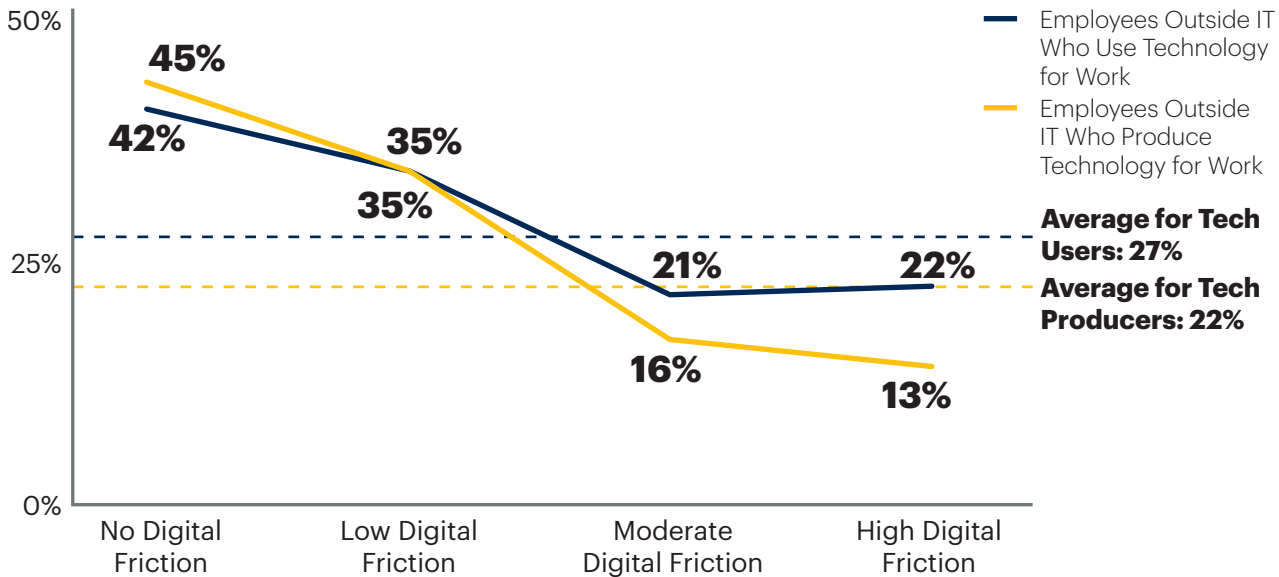
Moving forward, CIOs and other business executives should move beyond legacy leadership mindsets and team structures to harness the work of technology producers in all parts of the enterprise. This means the ability to exploit data and technology effectively should be a prerequisite for all leadership roles, as executing a strategy, managing a budget and developing a team are. And CIOs, specifically, must embrace technology producers outside of IT as an ally in the race to speed up digital business, rather than as an existential threat.

Leading organizations understand this shift requires new attitudes toward and ways of managing analytics and technology capabilities.

Digital Friction Lowers Engagement and Productivity

Employees who experience little digital friction at work report engagement levels that are well above average, and conversely, employee engagement drops far below the average as it increases (see Figure 2).

Figure 2. Impact of Barriers to Working With Technology on Employee Engagement



n = 4,068 employees (technology users and producers) outside IT
 Source: Gartner

Overall, two-thirds of employees have run into significant hurdles that shouldn't be there when they use or create digital solutions for work. The results: serious productivity losses, caused by lower levels of discretionary effort and employee turnover.

To fix this, leaders should address the root causes of what makes it difficult for technology producers outside of IT to do their work.

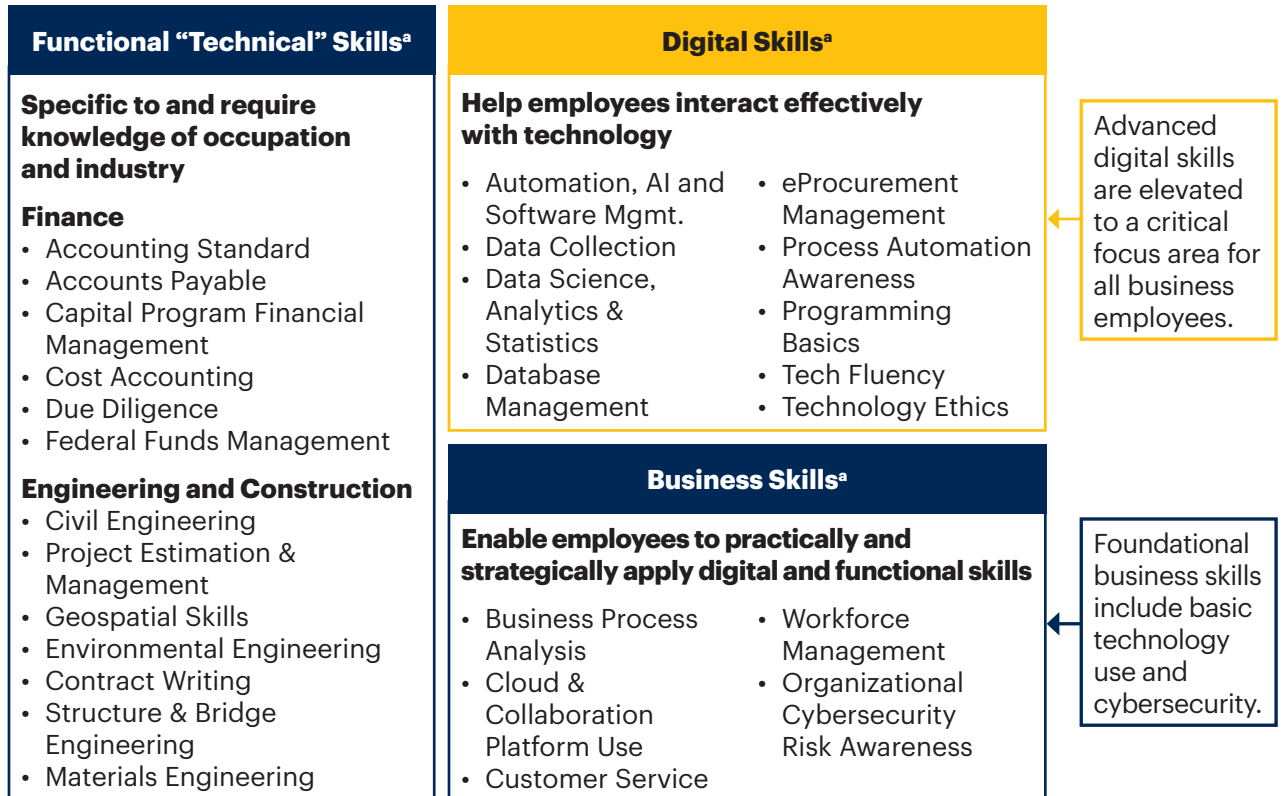
Get Leadership Mentality Unstuck From the Past

The most effective way to eliminate these antiquated attitudes is to align company leadership views on the organization's digital ambitions and communicate across the enterprise how employee roles and skills must change to fulfill them. Crafting a digital business narrative is one of the most effective ways to start. A digital business narrative conveys a consistent message on digital business transformation and highlights

the required changes employees and leaders need to make to accelerate progress.

The Virginia Department of Transportation (VDOT), for instance, is undergoing dramatic change caused by more connected, electric and automated transportation and a greater need for smart infrastructure. Chief Technology Officer Bob Osmond, who is also head of business strategy at VDOT, led efforts to build a digital business narrative that makes clear the job all employees must do in the agency's digital transformation. Osmond also partnered with HR to build a comprehensive skills framework that demystifies business, digital and technology skills for all employees and leaders (see Figure 3). As of 1Q20, VDOT had assessed 20% of the total workforce, and the agency plans to evaluate the rest over the next 18 months. The results help VDOT leadership understand the technology and training needs of all VDOT employees.

Figure 3. VDOT's Employee Skills Model (Partial Representation)



Source: Adapted From Virginia Department of Transportation

^a Developed in partnership with Deloitte (www.deloitte.com)

Note: To see the full list of skills, refer to the case study.

Make Expert Support Easy to Find

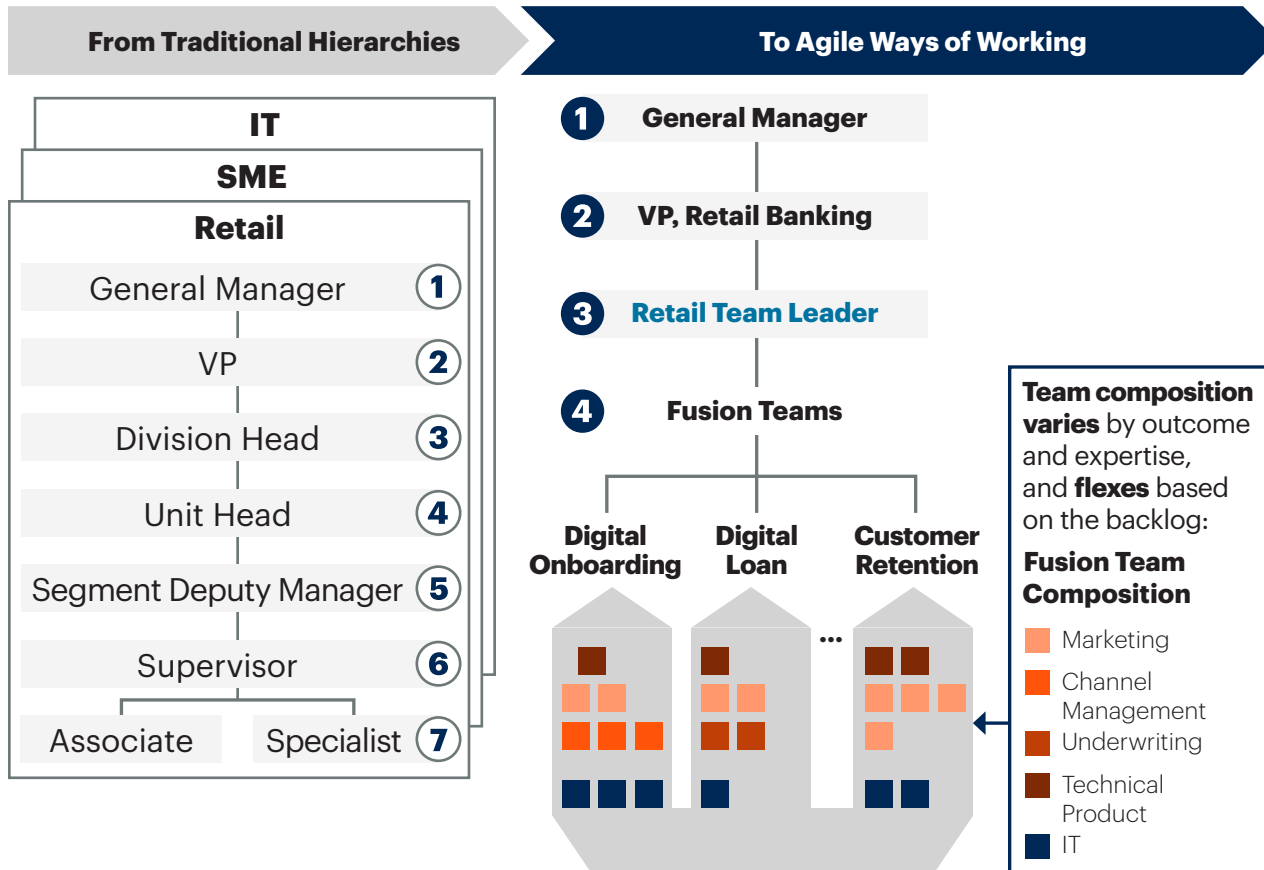
Technology producers outside of IT need expert support from people outside their teams but often struggle to identify the right colleague. In response, leading organizations are developing a new technology model for the enterprise in which teams are organized around business or customer outcomes, pooling digital talent, including technical and governance experts, from throughout the enterprise. Team members are accountable for shared objectives, encouraging domain and technology experts to drive the business or customer goals their fusion team supports, not just the traditional metrics their departments measure.

Rather than trying to fulfill the vast demand for data and technology solutions centrally within IT, İşbank (the largest private bank in Turkey

and among the 100 biggest banks worldwide) established customer- and business-strategy-aligned fusion teams. These groups work together on areas such as retail banking or small and medium enterprise (SME) banking (see Figure 4). Each team has a leader from outside of IT and blends IT and business domain expertise.

Organizations that expedite digital business transformation push their technology and analytics work closest to the point of value creation, far beyond the IT department, according to our conversations with hundreds of tech and other business leaders. They also reduce the bureaucratic footprint of the corporate center, such as IT, by diffusing central resources into their fusion teams and setting up mechanisms to create together new ways of working for digital business.

Figure 4. How İşbank Set up Fusion Teams to Break Organizational Silos



Source: Adapted From İşbank

Employees Want More Technology Work to Be Standardized and Automated

When employees outside of IT shift from being mere “end users” to becoming producers of analytics and technology solutions, the tools and IT support they need also changes. Meeting the demand will require CIOs to fundamentally rethink their roles and the role of the IT staff.

For instance, automation and technology tools can manage the work of technology producers (both within and beyond IT) much more efficiently, reliably and securely. Employees’ predisposition to this kind of automation is surprisingly positive when it’s sold as making their jobs easier, rather than merely cutting costs. Seventy-one percent of technology producers outside of IT believe at least a quarter of their work activities can be performed better or faster by machines.

In addition to işbank, companies such as Adidas, TD Bank, T-Mobile and PSEG have set up central engineering teams that automate and embed consistent practices (e.g., for API and cloud integration or app testing) in the central platforms and tools used by distributed technology producers. The result: a new set of platforms or digital foundations handles the time-consuming, administrative and redundant work, freeing up technology producers outside of IT to work on more higher-value tasks, such as improving the digital customer experience and digital products or service offerings.

COVID-19 has pushed the appetite for digital transformation to an all-time high. Seven in 10 boards of directors have sped forward with their digital business initiatives in the wake of the ongoing disruption. And this interest is not just coming from the top: Seventy percent of rank and file employees are open to adapting their roles and skills to support digital business. IT and other business leaders should exploit this opportunity to their long-term advantage. Organizations that turn their technology producers outside of IT into force multipliers and instruments of change will respond more effectively to threats and opportunities, faster than the competition.

¹ We surveyed almost 5,000 employees — across functions, levels, industries and geographies — to assess the analytic and technology activities in their jobs and the level of unnecessary effort employees exert when using and building analytic and technology solutions. We call this unnecessary effort “digital friction.” We quantified the costs of digital friction by calculating the median of hours wasted by employees on account of digital friction, median employee salaries and average attrition rates. We then used correlations and regression analysis to test for almost 130 factors, ranging from organizational practices to leadership behaviors and mindsets, to understand the actions business leaders can take to minimize digital friction. Finally, we spoke with more than 100 CIOs and other business leaders to find practical examples of how leaders can minimize digital friction and harness the full potential of broad-based analytic and technology work.

How to Import Temporary Talent From Law Firms and Suppliers

by Laura Cohn

Executives seeking additional talent and expertise at a time when they're facing pressure to hold the line on costs should consider a valuable but underutilized tool: the external secondment, a twist on the traditional interdepartmental rotation that brings in talent temporarily from an outside firm or vendor.

These arrangements offer short-term and long-term advantages. They add flexibility when a corporate team needs extra hands already familiar with aspects of the business, and they can support a supplier trying to avoid furloughs or layoffs. Most of all, they deepen bonds with third parties for impact that lasts well after the exchange is over.

Finance, information security, HR and quality are among the corporate functions that can set up outside rotations. Universities and governments do this, too. You can even design a specialized program, such as the quality function at one manufacturer that imported high-potential employees from suppliers and dealers to work for a year with its own group of likely future leaders.

The legal profession offers a good vehicle for understanding the value proposition of "renting" employees from third parties. While just 4% of legal leaders take advantage of secondments,

those who use them have shared with us practices that make these stints successful.¹

It's a good way to keep outside counsel costs down: Paying a flat fee to a law firm to host a guest attorney for, say, three to six months, costs less than paying the firm's hourly rate over the same time period. And legal leaders tell us the economic uncertainty triggered by COVID-19 has made law firms more willing to lend out their associates because it helps enhance the connection with the client.

The general counsel (GC) wins, because the department won't have to increase the official headcount. Law firms win, too, because once the attorney returns, the staff includes someone who's gained a deeper understanding of the client's culture and preferred way of doing business. The secondee benefits, learning more about how an in-house team operates.

Start Now: Why the Time Is Right

Law firm partners have learned painful lessons from the past about their own need to maintain flexibility: During the 2008 financial crisis, large firms laid off attorneys in droves, a move that came back to bite them when business recovered and they were forced to rebuild on the fly.²



Steven Barth

Senior Partner,
Foley & Lardner LLP

“A pandemic is the time to build relationships,” Steven Barth, a senior partner at Foley & Lardner LLP in Milwaukee, told us. “When you weather the storm together, you’re side by side, taking on the waves as they come. Once the sea is calmer, you’ve built this bond that is tough to break.”

The timing is right for the GC, too. Legal leaders must establish new health and safety policies for on-site and remote workers while meeting an organization’s day-to-day commercial and litigation needs. At the same time, they are facing budget cuts that prevent them from being able to expand their staffs.³

Around the world, lawyers on rotation from law firms typically help in-house teams with overflow work, which could include one-off projects that have outstripped the capacity of the legal team, management of regulatory risk or even simply filling in for someone who’s on leave.

Our conversations with in-house legal leaders and law firm partners, along with best practices from finance and audit teams on rotation programs, yield three strategies for the GC and other leaders looking to “rent” talent from an outside firm:

- Take the time to find the right candidate.
- Treat a secondee like a new hire.
- Be clear about the scope and terms of the job.

Getting it right from the start will pay off later. From the legal department’s perspective, if the secondment goes well and helps legal fulfill the company’s urgent needs, the GC can use the experience to build a case with leadership to hire additional in-house staff once the economy recovers. You may even wind up hiring your secondee as a member of your in-house team.

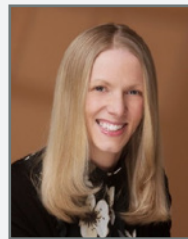
It’s a relatively well-worn path. Foley & Lardner’s Barth, for instance, recalls sending one of his top attorneys on a six-month secondment to a client who needed help with a large volume of M&A deals. After the attorney returned to the firm, the client requested a second tour of duty — and wound up making a job offer, which was accepted.

In the end, the departure of an attorney was a victory for the firm. “Even though we lost a star, the relationship we have reinvigorated has generated significantly more business volume for us,” Barth said. “Now we have yet another champion inside.”

Take Time to Find a Candidate Who Fits the Bill

This may sound obvious, but don’t neglect a 15-minute chat to make sure the lawyer or other professional has the right skill set and will fit in well. This is particularly important in the remote workplace.

Look for someone who is outgoing and willing to bend with the wind. This is crucial since candidates will be thrown into a new working environment in which they will have to quickly learn who the key players are.



Sarah Dickson

Deputy General Counsel,
Marks and Spencer

Sarah Dickson, deputy general counsel at Marks and Spencer, served as a secondee early in her career and describes the experience as “a real baptism of fire.”

Dickson set up a contract database for the telecom company Energis while seconded from DLA Piper. To get it done, she had to determine where to find the information she needed. Looking back, Dickson said it taught her how to manage and navigate critical business relationships. “It was the start of my journey on emotional intelligence,” she told us. “When you’re a junior lawyer, you generally have to work hard to develop your EQ. If you want to get things done in a business, you have to cultivate influencing skills and EQ very quickly! You have to think, ‘What’s in it for the person you’re talking to?’”

Treat a Seconded Like a New Hire

Dickson has also hosted outside lawyers in-house. To make them feel welcome from day one, she and other legal leaders advise putting introductory meetings with important stakeholders on secondees’ calendars before the start date. That way, the lawyer can hit the ground running, added Dickson, who suggests setting up a weekly one-on-one with their direct supervisor.

“Make sure you really invest in coaching time with them,” Dickson said. “The more you invest in a seconded, the more they will grow in confidence and be able to support you and your business.”

In addition, provide the borrowed talent with information on how the business is set up, who the critical business partners are and who’s on the department’s team. It’s also important to have assignments set up and basic tools, such as a company email account, so they can access the company directory.

If the seconded is going into an office, make sure your organization provides a desk, an ID badge and a computer. If the new team member is working from home, send a laptop there. Finally,

it’s a good idea to assign a mentor, who can make sure the temporary staffer gets invited to any group strategy sessions, casual team lunches or Zoom cocktail hours.

Be Clear About the Scope and Fee Arrangement

For all parties involved — the general counsel, the law firm and the rotated attorney as well — it’s best to get the parameters of the secondment clear and in writing ahead of time. Be sure to define the duties or specific projects the lawyer or other professional will work on and who the new team member reports to.

Barth, who estimates he’s been using secondees at his firm for at least 15 years, said a weekly or monthly flat fee tends to work best. Particularly for legal, setting up the fee arrangement ahead of time helps executives outside the legal department send work to the attorney without worrying about what it will cost.

Some in-house legal leaders host a secondment for three months to see how it goes. After three months, have an honest conversation. If it’s working, extend it for three more months. If it’s not working, pull the plug and start over.

A final tip: You also can use secondment programs to prepare your department for the next crisis. Consider setting secondment terms with your law firms or other outside parties when you negotiate fees for your usual work. That way, you’ll know who you can go to when calamity strikes, and you have another pressing need.

¹ Gartner General Counsel Voice: How Peer GC Are Leading Quick Poll (11 May 2020); n = 23.

² [As U.S. Unemployment Soars, Legal Industry Hopes to Avoid Widespread Layoffs](#), law.com

³ Gartner Emerging Issues Related to COVID-19 Webinar Poll (27 April 2020); n = 69.

Safe, Ambitious Automation Testing

by Michael Mayfield

with contributors Caroline Van Allen, Will Glynn and Kathryn Barba

At the border of France and Switzerland, physicists hunt for subatomic particles, probing the nature of the universe. They station detectors along a ring of subterranean superconducting electromagnets that are chilled to a temperature colder than outer space. The magnets guide high-energy proton beams in opposite directions, accelerating them near the speed of light and squeezing them closer together.¹

To allay concerns that range from human injuries to cosmic accidents, this staging area, the Large Hadron Collider, is distinguished by its safety measures as much as by its scale and complexity. A board of independent scientists confirms the experiments are not dangerous,² beams and people are kept separated and precautions are taken to prevent energy overload within the equipment (see Figure 1).³

Workflow automation is not particle physics, of course, but the same principle applies — the boldest experiments and most outsized results require minimizing risk and maximizing comfort levels.

Figure 1. Views of the LHC Tunnel, Sectors 3 and 4



Photo credit: CERN

Ambitious testing that also contains fail-safes has emerged in an unlikely place — the in-house legal department, a traditionally cautious function with professional skills refined over the course of centuries. After all, errors introduced to, say, the contracting process can torpedo a major business deal or have severe financial or operational implications because of the agreement’s legal obligations. In a time of global turmoil caused by COVID-19, there’s even less patience for additional disruption. Yet using automation to manage workload burdens is a linchpin of enterprise resilience.

Precisely for that reason, leading legal department tactics offer three lessons for all corporate functions:

1. Support opportunities to experiment with low-cost automation solutions.
2. Support opportunities to experiment with low-risk workflows.
3. Let staff know it’s safe to fail.

Experimenting with unproven solutions has to move forward; it’s effective. In fact, 92% of legal

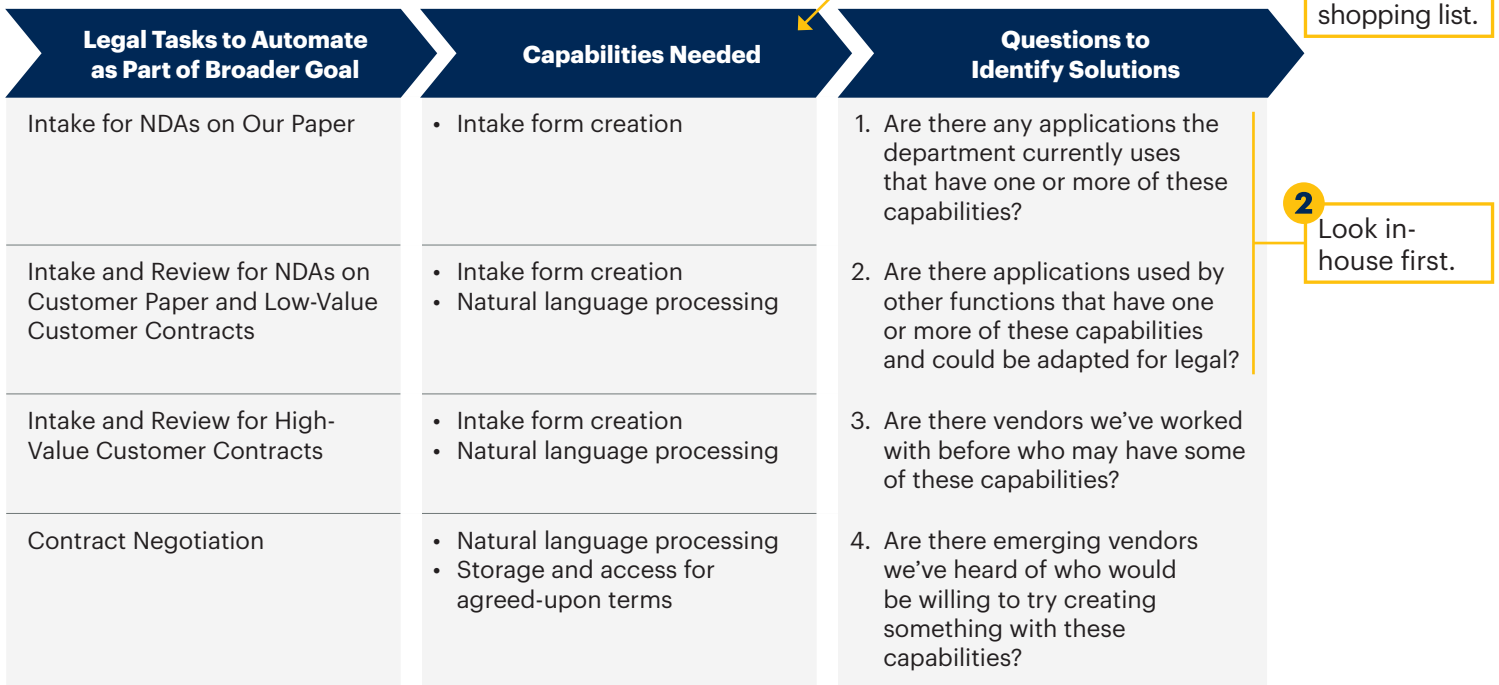
departments willing to adopt new and risky technologies achieved ROI from automation that met or exceeded their expectations.⁴ But you can get to that result in a careful way.

1. Support Opportunities to Experiment With Low-Cost Automation Solutions

Any function can feel pressure to invest in a solution without fully understanding its capabilities or the benefits that will result from automating the workflow. To increase the likelihood the payoff will justify the investment, corporate leaders can pursue low-cost opportunities for automation projects.

Legal operations at TE Connectivity created an inventory of the tasks that, if automated, would support its function’s goal of enabling business growth while efficiently and effectively managing risk. Next, legal operations identified the specific capabilities needed to automate these tasks. Finally, with this “shopping list” of automation capabilities in hand, TE Connectivity’s legal operations manager asked four questions to help source the solutions for automating the workflows (see Figure 2).

Figure 2. Identification of Capabilities Needed to Automate



Source: Adapted From TE Connectivity

These questions pushed TE Connectivity’s legal department to first examine internal tools that could provide the needed automation capabilities. After referencing these questions, the team decided to start with a simple intake form for low-risk nondisclosure agreements. The tool it chose was SharePoint, which was sufficient for the task and available companywide, so no need to spend extra money.

TE Connectivity’s legal operations team found automating each task individually over time better supported buy-in. Both legal staff and business partners felt comfortable using these solutions to support their own work, allowing the legal department to apply tools in even more creative ways as the plan progressed.

2. Support Opportunities to Experiment With Low-Risk Workflows

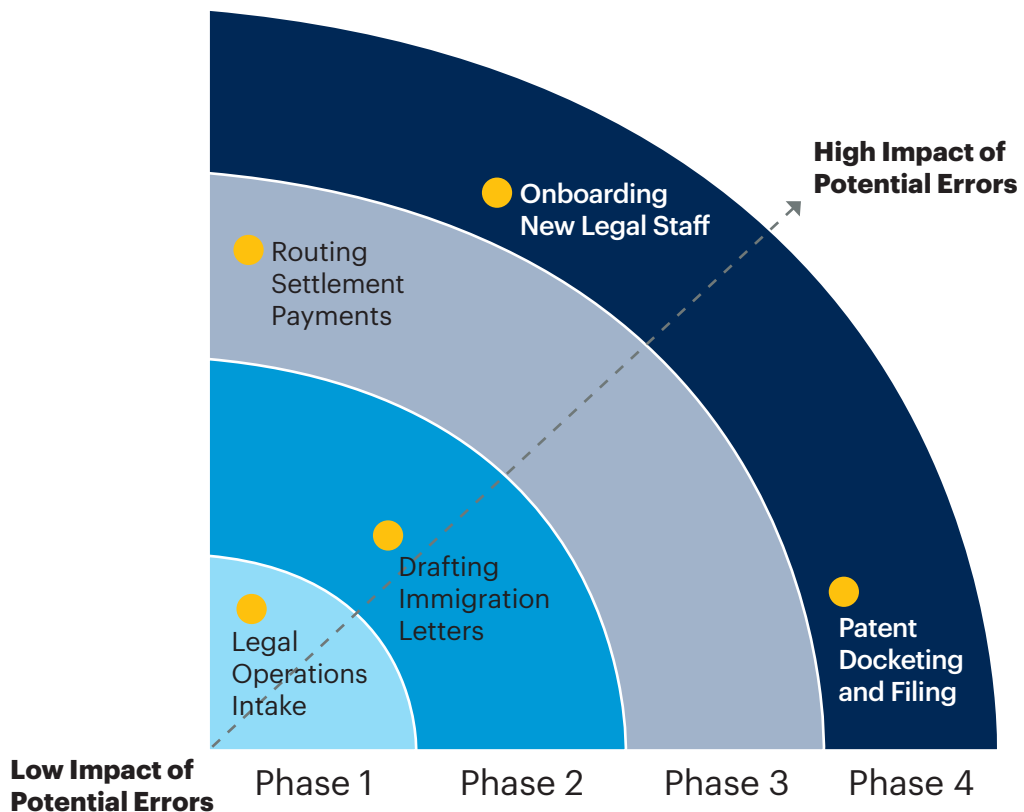
You don’t want to start an experiment with the workflow your business partners rely on the most. Start with lower-risk processes to develop

an understanding of the solution’s capabilities, and only afterward expand the solution to higher-risk processes.

T-Mobile’s legal operations team developed a plan to roll out an automation solution in phases, each defined by the riskiness of the workflows involved (see Figure 3). Phase 1 involved testing an automation solution on legal operations intake, where in-house lawyers log requests for support from legal operations professionals. Because this process was completely contained within the legal department, errors could safely be evaluated and triaged with minimal impact. Business partners would not be inconvenienced in the event of a mistake.

Next, the team leveraged the knowledge it gained in Phase 1 to automate a slightly more complex task that was still relatively low-risk: immigration letters, which required the tool to flow between more applications and had a slightly larger impact on the business.

Figure 3. Phased Workflow Automation



Source: Adapted From T-Mobile

As the team continued to iterate, it gradually increased its understanding of the tool's capabilities and began testing it on tasks of increasing importance to the business. By Phase 4, the team could trust the tool with critical tasks involving corporate intellectual property, such as patent docketing and filing.

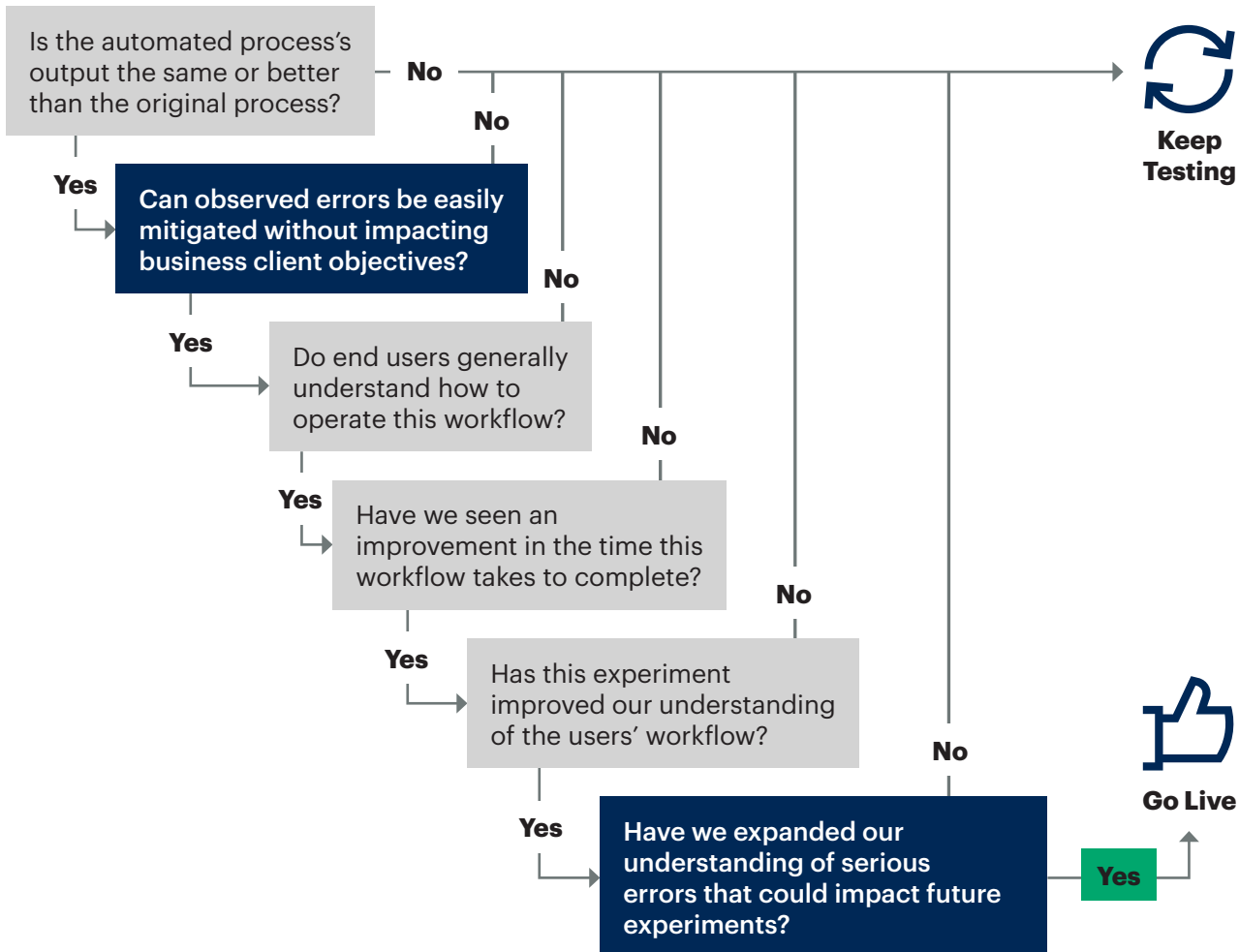
To determine whether the automation solution should be deployed without constant oversight within the current workflow and introduced to a higher-risk workflow, legal operations at T-Mobile defined a set of questions to ask at each stage (see Figure 4). These questions serve as both a fail-safe to ensure a poorly tested automation solution isn't rolled out too quickly for critical processes, and a mechanism to force legal operations to reflect on lessons learned from earlier tests.

Through its stage-gated automation process with built-in quality testing, T-Mobile's legal operations team was able to reduce time spent on the intake process by 50%, automate over 15 workflows and determine clear next steps for what automation solutions to test and implement.

3. Let Staff Know It's Safe to Fail

In addition to the risks presented to the business and the department's operations, your staff members also care about the damage to their own reputations and careers if their automation projects fail. To reassure them, corporate leaders should make it clear to staff that within safely scoped projects, risk taking and innovation are expected; perfection is not.

Figure 4. Automation Quality Testing



Source: Adapted From T-Mobile

The general counsel and legal operations team at Tech Data — a Florida-based technology distributor — realized their lawyers were not properly encouraged to work on transformation projects, despite the long-term value. So Tech Data’s legal team began to reference these initiatives in lawyers’ annual goals (see Figure 5). Participation became a criterion for promotion that figured prominently in promotion announcements.

In addition, Tech Data realized leadership messaging played a critical motivating role. Tech Data used a companywide recognition system to highlight staff effort — even on projects that were not successful — to encourage risk taking, experimentation and innovation across the team.

The fail-safes outlined here should help you feel more encouraged to experiment with an unproven automation technology to solve

workload management challenges. Creating a secure environment for testing, learning and experimenting will position your department to discover new ways to use automation to improve your business. The two go hand in hand, as British physicist and television host Brian Cox explained when he addressed “prophets of doom” about the collider. He wrote in *Popular Science*, “We are not powerful enough to endanger the world with this thing by a very long shot!” And “exploration always delivers,” he noted, “because striving to gaze over the horizon is the only route to progress.”⁵

¹ [The Large Hadron Collider](#), CERN.

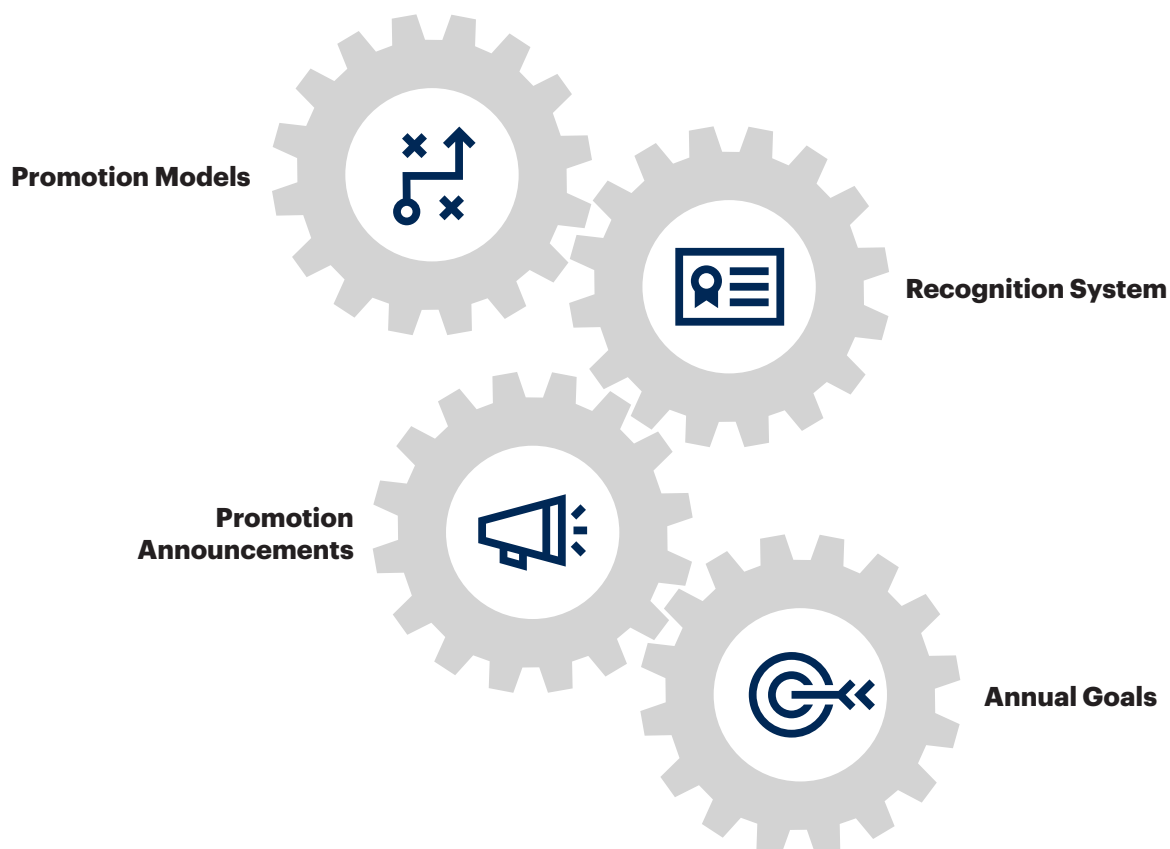
² [The Safety of the LHC](#), CERN.

³ [Protecting the LHC From Itself](#), Symmetry Magazine.

⁴ 2018 Gartner Legal and Compliance Automation Survey.

⁵ [In Defense of the LHC](#), Popular Science.

Figure 5. Transformation Effort Incentives



Source: Adapted From Tech Data

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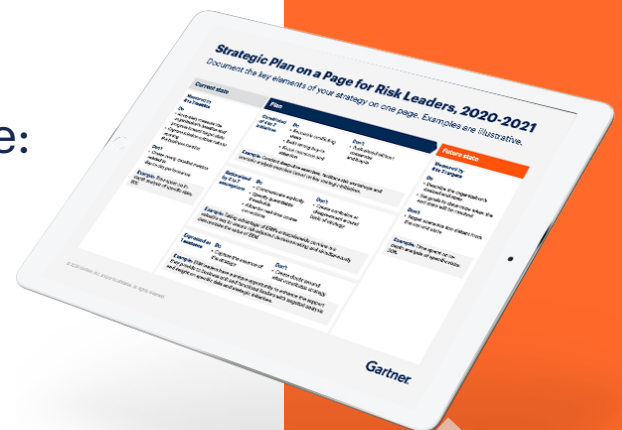
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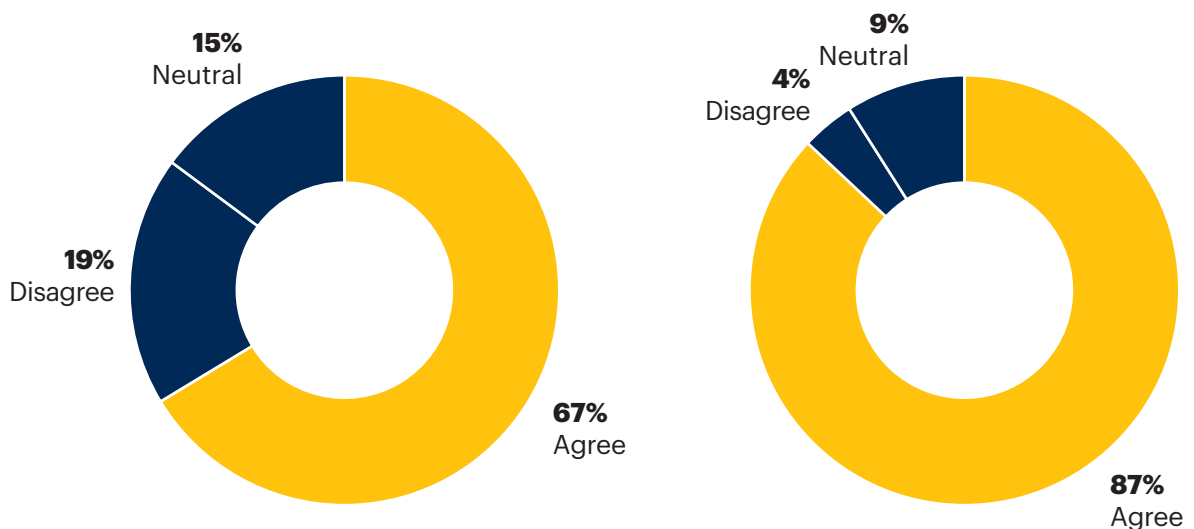


The Secret to Marketing Through Disruption

by Stuart Strome and Janine Kanters

In an age of constant disruption, what customers want today may not be the same as tomorrow. Marketers struggle to keep up — 67% of them said as much in a June poll — and they expect the shifts to become more common over the next two years (see Figure 1). Complicating the matter further, all changes in behavior are not created equal: Some may be responses to temporary environmental circumstances while others will endure.

Figure 1. Marketing Leaders' Views on Changing Customer Needs



n = 348 marketing leaders

Source: 2020 Customer Loyalty and Relationship Management Marketer Poll

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

While 90% of marketing leaders agree they have to do more to address fluctuations in customer needs to meet strategic business goals, they don't agree on what that means or how to achieve it.¹ Failing to adjust to shifts in consumer demands — a phenomenon that is both rapid and unpredictable in the COVID-19 era — may mean lost sales, diminished market share, high rates of churn and possibly permanent defection of formerly loyal patrons.² The trick is in knowing which changes to respond to, as it's not possible, practical or valuable to make constant overhauls to messaging and planning. Leading organizations decide which ones matter by using adaptive marketing techniques that distinguish between temporary changes and those that will last.

We define adaptive marketing as the ability of organizations to meet the demands of changing customer needs by deliberately modifying current capabilities in pursuit of strategic loyalty objectives. Rather than simply reacting to new circumstances, adaptive marketing organizations leverage their short-term responses to create new long-term opportunities for their businesses.

They do this by altering their company's customer listening and planning to best identify and address lasting changes in demands and behavior. That was one of the major takeaways from a study involving more than 50 in-depth interviews with marketing leaders from a variety of sectors and a survey of nearly 350 B2B and B2C marketing executives about their responses to the COVID-19 crisis.³

Adaptive Marketing Techniques for Customer Listening and Planning

Progressive marketing organizations recognize that addressing lasting shifts in behavior is most cost-efficient. They use these two listening strategies to separate long-term customer changes from temporary ones:

- **Pressure-test shifts in behavior for durability.** Leading organizations modify their existing customer surveys, focus groups and other insight activities to look for triggers of lasting change. These include:
 - If the new behavior has become routine or habitual

- If it maps to a preexisting trend (For example, most millennials were moving exclusively to online banking anyhow, but COVID-19 accelerated this trend, which isn't likely to reverse after COVID-19 subsides.)
- If it was an underappreciated risk (For example, "We should be washing our hands all along, regardless of COVID-19!")
- If it's more convenient or enjoyable (For example, home grocery delivery became much more popular during the pandemic, and now that more people have tried it, they prefer it because it saves them a trip to the market.)

- **Incorporate analysis of consumer values into existing models.** While some companies rely on sophisticated analytical models that use past customer behavior to predict future trends, environmental changes may render these models less accurate. More adaptable companies include shifts in underlying consumer values in any analysis of their actions to help explain the "why" as opposed to simply the "what" of the change. Value changes happen gradually, but when they do occur, they tend to last.

Leading organizations use these two techniques to address lasting shifts in what customers want:

- **Continuously resegment your customers based on the effects of disruption.** To prevent messages and offerings from coming off as irrelevant or insensitive when facing new circumstances, incorporate the impact of disruption in the planning processes, resegmenting customers as necessary. Based on the implications of the surprise event, look for opportunities to address the future challenges of consumers facing the most severe impact.
- **Leverage scenario planning to identify capability gaps.** If organizations conduct scenario planning, it's usually limited to exploring best and worst case operational outcomes (for example, how much revenue they expect, retention and acquisition levels). The most progressive companies go a step further. They use their scenario planning process to analyze how their customer demands will change under different outcomes. Then they look for the activities they can do in the short run to help the company best serve what patrons want in the long run for each situation they assess.

How CHEP Europe Identifies and Addresses Durable Emerging Customer Needs

Soon after the onset of COVID-19, executives at CHEP Europe — a U.K.-based company that provides businesses with reusable transportation pallets — realized the type of support clients required was rapidly and dramatically changing. To make sure the company’s messaging would remain relevant, the marketing team zeroed in on lasting customer needs and aligned emerging client challenges with CHEP’s areas of logistics and supply chain expertise.

The team used third-party research, existing client knowledge and newly gathered voice-of-customer insight, such as interviews, to build hypotheses about how its clientele would respond to new conditions. The team used the assessment questions in Figure 2 to determine which changes were likely to last.

For example, in response to product shortages, CHEP surmised companies would want to increase their supply chain resilience — potentially by diversifying their suppliers or increasing stocked inventory. The marketing team deemed this a lasting change because it was a response to a previously underappreciated risk that businesses would want to protect themselves against in the future.

After assessing emerging client behaviors for durability, CHEP’s marketing team compiled a small set of significant behaviors it expects to

remain relevant for at least the next year. They prioritized addressing the ones that most affect customers and the brand (for example, supply chain resilience).

The team then incorporated the prioritized developments (for example, supply chain resilience) into its message planning cycle by:

- **Resegmenting** — CHEP first grouped together customers experiencing comparable effects from the change and who were responding in similar ways. For example, the team pools businesses with the same levels of preexisting supply chain resiliency and then differentiates between those strengthening their supply chain by diversifying suppliers from those increasing stocked inventory.
- **Repositioning** — The team interviewed severely impacted clients to uncover their biggest near-term challenges. CHEP then adjusted messaging to support areas the brand can credibly speak to, such as “on-shelf availability” challenges for companies with complex international supply chains (for example, retail).
- **Reassessing** — Lastly, the team evaluated external conditions for environmental shifts that would affect what customers want. For example, the team expected organizations would respond differently to a deepening recession than they did to the COVID-19 pandemic by prioritizing cost-cutting over building supply chain resilience.

Figure 2. Indicators of Lasting Changes in Customer Needs and Behaviors

Assessment Question	Indicators
Does the customer change align with existing, in-progress trends?	Trend acceleration: Changes in observable customer behavior that align with existing, in-progress trends
Is the customer change done frequently or on a regular basis?	(Re)forming habits: Newly observed frequent or repeated customer behaviors that replace customers’ previous patterns of action
Do customers prefer the change (for example, due to convenience or ease)?	Preferred adaptations: Shifts in customer preference initiated by their response to new circumstances
Was the change made to address underappreciated risk?	Scalable lessons learned: Changes in customer attitudes that are direct and sustainable responses to a newly appreciated risk(s).

Source: Adapted From CHEP

The whole process works as a virtuous cycle. Once an environmental shift is detected, the team restarts its customer insight gathering activities to uncover and test hypotheses on responses to new conditions. Clients are resegmented again and messaging is repositioned to align with long-term shifts. CHEP Europe continues to use this method on an ongoing basis as new circumstances arise.

The team has seen this strategy pay off, increasing sales opportunity volume 60% compared to the previous 12-month period, despite the heightened uncertainty of COVID-19.

Adaptability Helps Organizations Win in Uncertain Environments

Investing capital in a new experience, or adjusting your company's offerings in response to a new demand only to find it was temporary is a poor use of resources. Altering customer listening and message planning techniques to home in on the most durable changes to preferences and behavior lets the enterprise commit resources to activities that will have the greatest long-term impact on both its business and customers.

¹ This data was gathered from a June 2020 survey of 348 senior marketing leaders from a variety of sectors across B2B and B2C companies in the U.S., Canada and the U.K. We surveyed only leaders who were involved in decisions responding to changing customer needs for organizations that were at least moderately impacted by the COVID-19 crisis. The exact survey statement was, "Our marketing function will have to be more adaptive to shifts in customer needs for us to meet our company's long-term strategic goals." Ninety percent of respondents somewhat agreed, agreed or strongly agreed with this statement, 3% somewhat disagreed, disagreed or strongly disagreed, while 4% neither agreed nor disagreed.

² Our analysis shows a marketing team's adaptability correlates strongly with positive customer satisfaction outcomes for that company. According to the 2020 Gartner study "How Marketing Can Become More Adaptable in a Rapidly Changing Environment," 57% of the least adaptable marketers saw flat or decreased CSAT soon after the onset of COVID. However, only 13% of the most adaptable marketers (that is, those in the top quartile of adaptability) witnessed a similar trend. Fifty-seven percent of marketers that performed in the bottom quartile of our survey saw flat or decreased customer satisfaction soon after the COVID crisis, as opposed to only 13% of marketers in the top quartile

of adaptability. Furthermore, satisfaction outcomes are correlated with repurchase and retention. B2B customers are 2.3 times as likely to repurchase with an incumbent supplier than other customers, according to the 2019 Gartner Elevating Marketing's Role in B2B Account Growth Survey. Moreover, the relationship between customer retention and customer satisfaction is well-documented in academic research. See Bolton, Ruth N. (1998), "A Dynamic Model of the Duration of the Customer's Relationship with a Continuous Service Provider: The Role of Satisfaction," *Marketing Science*, 17 (Winter), 45-65. Bolton, Ruth N. and Katherine N. Lemon (1999), "A Dynamic Model of Customers' Usage of Services: Usage as an Antecedent and Consequence of Satisfaction," *Journal of Marketing Research*, 36 (May), 171-186. Boulding, William, Ajay; Mittal, Vikas and Wagner Kamakura (2001), "Satisfaction, Repurchase Intent, and Repurchase Behavior: Investigating the Moderating Effects of Customer Characteristics," *Journal of Marketing Research*, 38 (February), 131-142.

³ This study analyzed the drivers of an adaptable response to a shift in customer needs caused by the COVID-19 crisis. To measure the adaptability of a marketing organization's response to the COVID-19 crisis, we asked them the following questions. "Thinking about your marketing function's response to COVID-19, please rate your level of agreement with each of the following statements on a seven-point scale, where 1 is 'strongly disagree' and 7 is 'strongly agree': Our response to COVID-19 created new strategic opportunities for our business; our response to COVID-19 accelerated progress toward our previously identified long-term strategic goals; as part of our response to COVID-19 we greatly accelerated the development of certain internal capabilities; if faced with a similar magnitude change in customer needs in the future, we would execute our response in exactly the same way." We also asked the following question: "On a scale of 1 (very unsuccessful) to 5 (very successful), to the best of your knowledge, how successful did the senior executives in your company (for example, CEO, CFO) consider the marketing function's response to COVID-19?" We then used responses to those questions to create an adaptability index. Respondents who most strongly agreed with these statements and whose senior executives considered the response more successful had a higher score, while those who disagreed and whose senior executives considered the response less successful had a lower score. To identify which factors had the greatest impact on adaptability, we asked respondents a variety of questions about their marketing organization's response to the COVID-19 crisis. We then used factor analysis to identify a small group of key potential drivers of marketing adaptability. Finally, we conducted regression analysis to identify the effects of those potential drivers on adaptability.

The Route to a More Resilient Supply Chain

by Kamala Raman and Daniel Ryntjes
with contributions from Xiao Chen

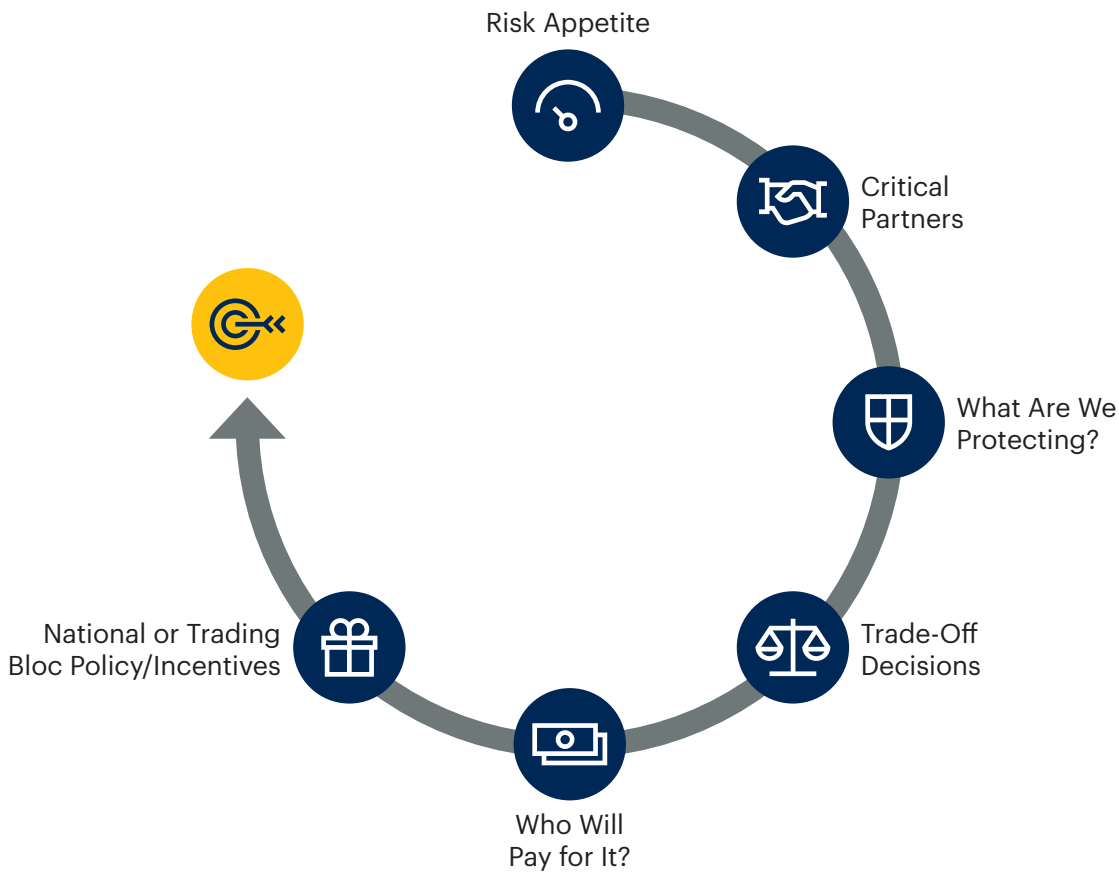
Shortages of consumer and healthcare goods during the onset of the pandemic illustrated the perils of relying solely on efficiency to drive supply chains. In a 1Q20 survey, only two in 10 executives described their organizations' networks as "highly resilient."¹ The respondents included leaders of supply chain, procurement, purchasing, logistics, transportation and distribution. They are now motivated to change: More than half expect to reach a high level of resilience within two to three years. COVID-19 may have been the wake-up call, but many other national or global disruptors, including climate change, natural disasters, trade tensions and Brexit, loom on the horizon.

The implications of this new emphasis reverberate through the C-suite, requiring cross-functional support. For example, if R&D leaders embed resilience goals in their end-to-end project plans, they need help from procurement and operations. The CFO will assess the financial viability of diversifying sourcing to another company or country, weighing costs and benefits with input from strategy or risk leaders.

Pathways to Resilience

How much supply chain resilience is necessary? The answer will vary by product, company, sector, industry and target market. The framework in Figure 1 helps executives navigate pathways to resilience. During a period of economic recovery, C-suite and functional leaders must avoid decisions that could undermine competitive advantages.

Figure 1. Factors to Determine Level of Resilience Needed in Manufacturing Network



Source: Gartner

Consider these factors:

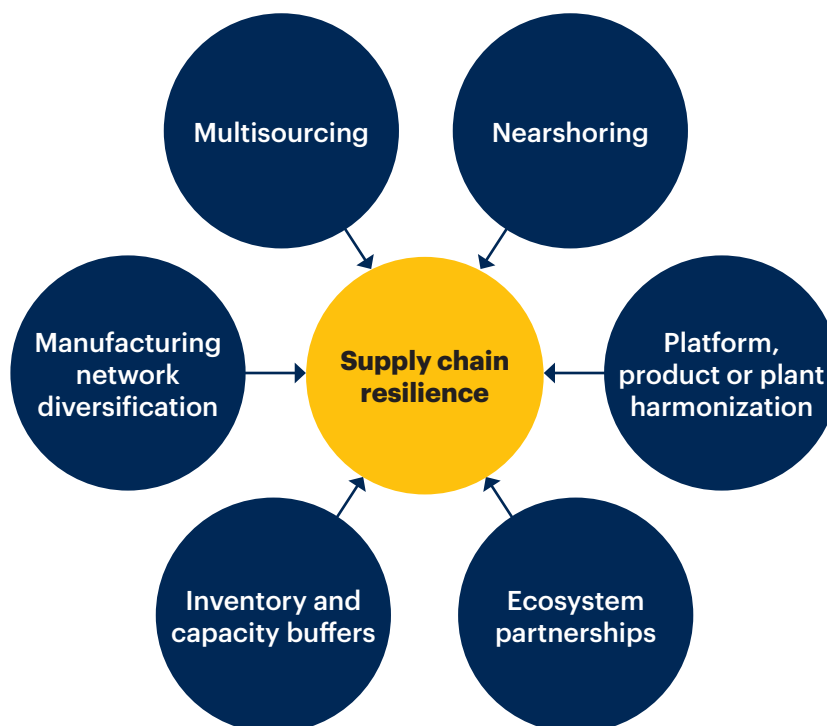
- Risk appetite — Supply chain leaders should partner with the enterprise risk management team to understand context-specific variables, such as a product’s current market position and profit margin. Legal or regulatory affairs functions can provide specific compliance and regulatory guidance.
- The situation of critical partners — Supply chain and procurement leaders should evaluate the strengths and weaknesses of suppliers, prioritizing those that play a pivotal role in business continuity. Work with these partners to craft a network resilience strategy. Other suppliers may also face challenges during this (or any) crisis, posing additional mitigation risks to consider.
- What we are protecting — This could be a specific product line, regional market or a type of business. Also consider what you are trying to avoid — such as increased labor costs, tariffs or exposure to natural disasters.
- Trade-off decisions — This is the point at which executives have sufficient information to make decisions about which resilience measures to support and which to reject.
- Funding decisions — C-suite leaders, with support and analysis from the CFO, should decide whether the costs of resilience measures should be absorbed by the company, shared with upstream suppliers or passed along (wholly or partially) to customers.
- National or trading bloc incentives — Governments will play a significant role in reshaping global supply chains by offering incentives or imposing penalties to encourage local manufacturing.

Six Strategies for Supply Chain Resilience

Company leaders can increase supply chain resilience in six ways (see Figure 2):

- 1 Inventory and capacity buffers** — Add production facilities or surge capacity with external manufacturing partners and warehoused stockpiles.
- 2 Manufacturing network diversification** — Achieve agility with regional strategies that add suppliers or factories in new locations. Countries such as Vietnam, Mexico, India, Malaysia and Taiwan have so far been the main beneficiaries of this trend. Figure 3 provides a tool for selecting a greenfield site (new development location). You can also use it to compare existing locations to determine the optimal placement of additional capacity or technology.
- 3 Multisourcing** — Expand the network to include alternative qualified suppliers or secondary locations used by existing suppliers. Map the extended supply base to understand subtler interdependencies.
- 4 Nearshoring** — Gain speed or control by bringing some manufacturing closer to where products are needed. New forms of automation may be required to make this economically viable in more expensive countries. A simpler option, “postponement,” involves setting up the final assembly close to the end market, while still sourcing primary components from the original locations. This approach helps avoid country of origin rules or tariffs while reducing lead time to the customer. However, it’s also costly to set up a final finishing manufacturing site, and transporting the components is expensive.
- 5 Platform, product or plant harmonization** — Design the manufacturing process using standard parts across a product range. This system makes it possible to source from multiple suppliers without losing the benefits of scale.
- 6 Ecosystem partnerships** — Coordinate crisis response and diversification measures with contract manufacturers and logistics providers. If the existing relationship is strong, this strategy is more likely to be successful.

Figure 2. Six Strategies for Supply Chain Resilience



Source: Gartner

Figure 3. Greenfield Site Selection Study for High-Tech Manufacturing

● Excellent ● Very Good ● Fair ● Poor

Country	Geographic Region	Hourly Wages	Business Environment	Reliability of Energy	Ease of Doing Business	Cross-Border Trade	Logistics Infrastructure	Productivity Trend	Logistics Capability Trend	GDP Growth
United States	North America	●	●	●	●	●	●	●	●	●
Czech Republic	East Europe	●	●	●	●	●	●	●	●	●
Hungary	East Europe	●	●	●	●	●	●	●	●	●
Poland	East Europe	●	●	●	●	●	●	●	●	●
India	Asia	●	●	●	●	●	●	●	●	●
Malaysia	Asia	●	●	●	●	●	●	●	●	●
Taiwan	Asia	●	●	●	●	●	●	●	●	●
Thailand	Asia	●	●	●	●	●	●	●	●	●
Vietnam	Asia	●	●	●	●	●	●	●	●	●
Mexico	North America	●	●	●	●	●	●	●	●	●
China	Asia	●	●	●	●	●	●	●	●	●

Source: Gartner

Resilience Steps Spurred by the U.S.-China Rivalry

These resilience strategies and pathways are playing out in response to U.S.-China trade tensions. Figure 4 shows how business leaders in our 1Q20 survey have been managing exposure to higher tariffs and dependence risks:

- **Diversifying** — Almost half (49%) switched sourcing to alternative qualified suppliers or locations, and 23% were planning to do so within two to three years.
- **Multisourcing** — Thirty-seven percent added new suppliers or locations requiring qualification, testing and other measures to ensure high quality and service levels, and 22% were planning to do so.
- **Nearshoring** — A quarter added sourcing close to the destination country, and 22% were planning to do so.

They've also been making hard choices about who pays for these actions. Almost half of respondents (49%) said their companies are absorbing all or some of the costs, 33% said suppliers have taken on some or all of the costs, and a quarter said costs had been passed on to customers or consumers.

Why It's Hard to Leave a Technology Hub

Supply chains evolved the way they did for good reasons. It makes sense to purchase from specialists that are willing to invest in mass production facilities for multiple customers — reaping the benefits of scale. Technology specifications move rapidly to keep pace with innovation. So companies rely on a few specialized global providers (often in Asia) for raw materials, capabilities and services. An ecosystem of subtier suppliers naturally emerges to make components, tools and software for the main supplier, forming an industrial cluster.

Escaping that gravitational pull is difficult. Yet high tech and consumer electronics manufacturers are beginning to diversify beyond China to serve global customers. Young Liu, the chairman of Foxconn, Apple's main iPhone assembler (and a contractor to many other global electronics brands), told an investor conference the company

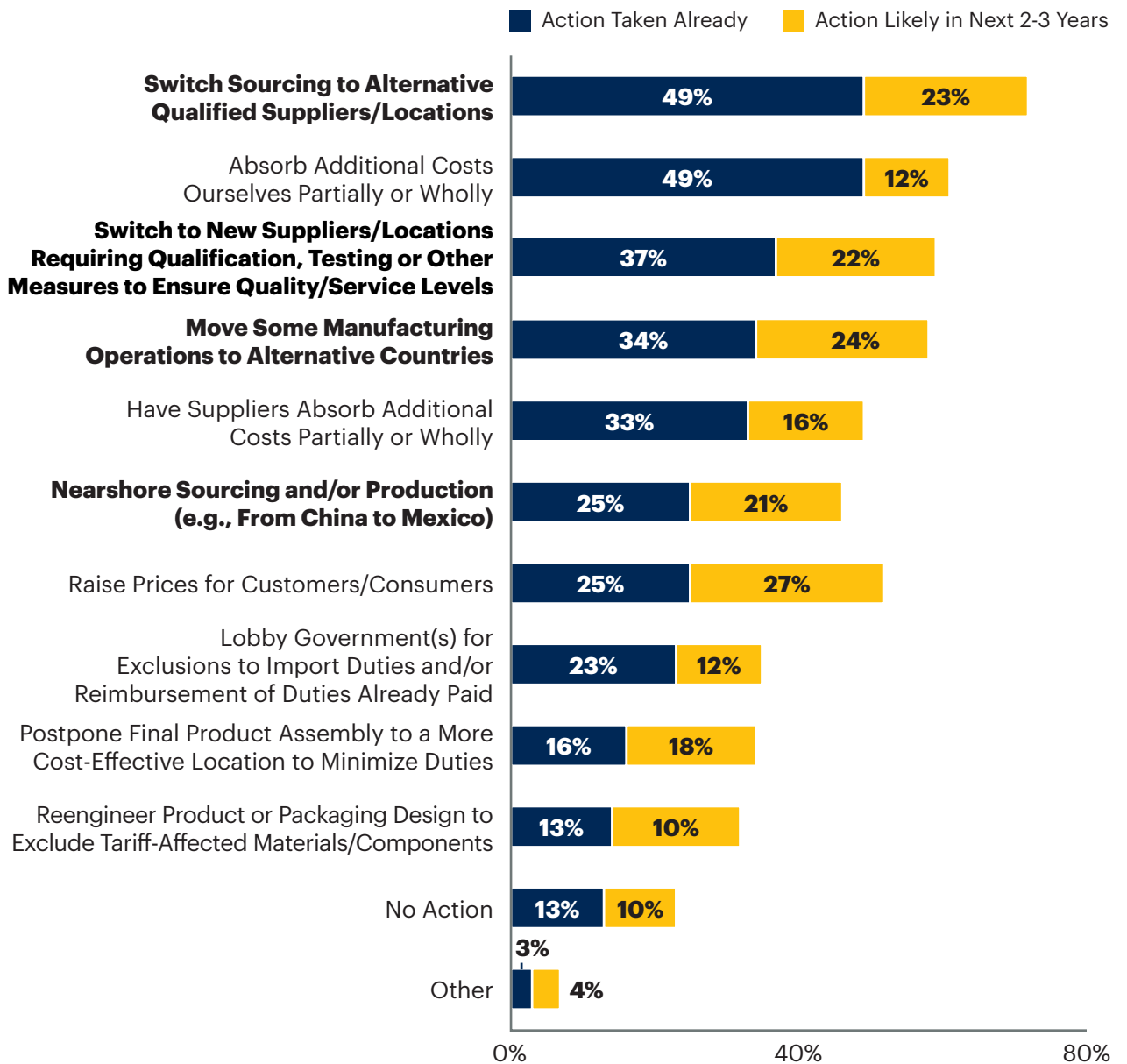
was adding more capacity outside of China.² He predicted the rise of manufacturing ecosystems in India, Southeast Asia and the Americas.

¹ 2020 Gartner Weathering the Supply Chain Storm Survey.

² [China's Days as World's Factory Are Over, iPhone Maker Says](#), Bloomberg.

Figure 4. Mitigation Actions Taken to Improve Supply Chain Resilience

Multiple Responses Allowed



n = 230

Q: In the case of the U.S.-China trade war, what mitigating actions have you taken or are likely to take?

Source: 2020 Gartner Weathering the Supply Chain Storm Survey

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How UPS Assesses ROI on Resilience-Driven ESG Spending

by Oana Lupu and Jessica Kranish

The right social and environmental investments contribute to your business's sustainability along with the planet's. Organizations that understand and act on this will be better positioned to respond to future disruptions.

Early rumblings are already audible today:

- Higher capital costs for companies with significant exposure to climate risk
- Increased pressure from competitors with innovative solutions to social and environmental issues
- Reallocation of long-term investors' capital toward sustainable companies
- Younger employees' preference for responsible employers¹

Logistics company UPS is proof that businesses don't have to choose between profits and sustainability. The organization has been successfully creating value for shareholders since its IPO in 1999, with dividend growth averaging 10%.² Its return on invested capital — which has averaged 22.43% over the last four quarters — has historically been higher than that of industry peers and well above its weighted average cost of capital (6% for the trailing 12 months).³

At the same time, UPS has been recognized for its ESG efforts. This year, the company was

named to Corporate Responsibility Magazine's annual 100 Best Corporate Citizens for the 11th consecutive time. And it has been part of the Dow Jones Sustainability North America Index for 15 years in a row.⁴

As the executives in charge of resource allocation, CFOs play a critical role in helping to achieve corporate ESG goals.⁵ But deciding how much (and where) to invest to generate the most value is no small task, especially at a time when companies are increasingly under pressure from a wide variety of stakeholders to maintain cost discipline. At the same time, they're expected to be more socially and environmentally conscious.

Brian Newman, CFO at UPS, talked to us about how he evaluates and prioritizes ESG investments to maximize returns for the business and society. He works closely with Laura Lane, UPS's Chief Corporate Affairs and Communications Officer, who answered our questions separately. We've distilled some practical lessons from our conversations with them about how they make sound resource allocation decisions.



Brian Newman
UPS Chief
Financial Officer



Laura Lane
UPS Chief Corporate Affairs
and Communications Officer

Keep Business Strategy at the Center of ESG Strategy

Newman plays a critical role in determining how much money UPS can invest in ESG. As he does with any other investment, he evaluates financial scenarios developed by his team and runs stress tests to determine how much the company can afford to spend. If you are undertaking this exercise, Newman recommends being clear about what you must protect under any circumstance. For UPS, this includes the company’s dividend, credit rating and corporate values (see Figure 1). Everything else, according to Newman, is up for discussion. Make your own list together with leadership. It will give you the reassurance and flexibility you need to make the right decisions.


Once you’ve decided what proportion of the budget to allocate to ESG projects, you’ll need to select initiatives to invest in. Newman recommends prioritizing the projects that most closely align with corporate strategy. For instance, UPS made donations to help organizations affected by COVID-19. This investment wasn’t purely philanthropic; the goal was to help “support the sustainability of communities so they’re there to work with us” in the future, Newman explained. In addition to being good for society, the decision supports the company’s four pillars for growth: small and midsize businesses, e-commerce, healthcare and high-growth international markets.

Figure 1. Five Principles UPS Protects

5 Core UPS Principles Underpin Our Actions

- Our values
- UPS dividend
- Strong investment grade credit rating
- Brand relevance
- Employee ownership

Everything else is under review....



Source: UPS

To identify projects that align with corporate strategy, Newman reviews UPS' materiality matrix. It shows how important ESG issues are to stakeholders and to business success (see Figure 2). Investing in ESG projects that adhere to corporate strategy will simultaneously advance company objectives, contribute to a cohesive story for investors and make a positive impact.

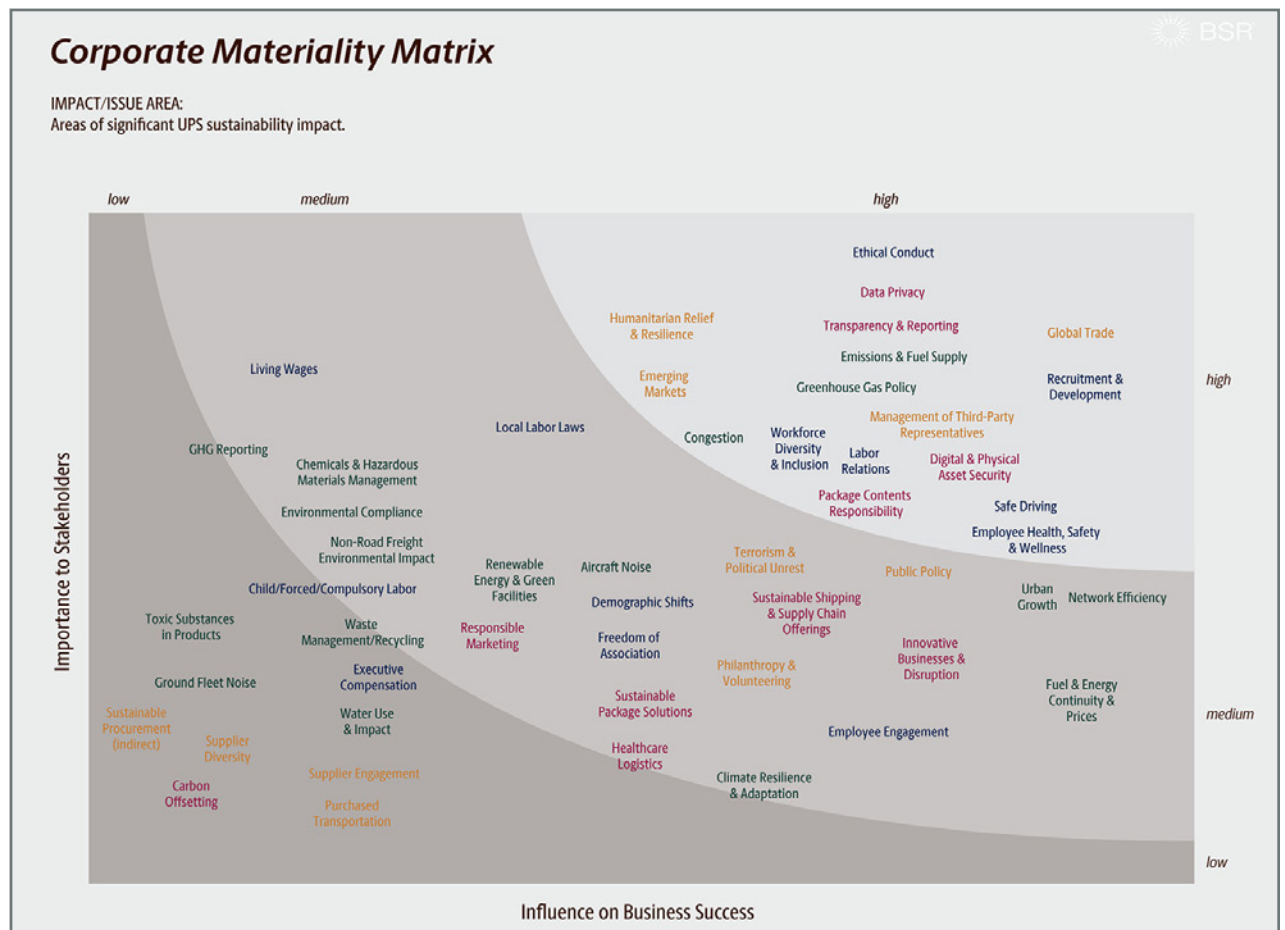
Use Opportunity Cost, Business Connection and Value-Added to Measure Returns

Environmental and social issues tend to be complex and nebulous, making it hard for CFOs and their teams to quantify the expected returns from investments. But UPS believes it's always possible to measure the impact; if you can't capture everything, you can get at least part of the way there. UPS finds three tactics helpful:

- Finding the link between the investment and the business
- Considering the opportunity cost of failing to invest
- Assessing the expenditure using a cash value-added model

As a good starting point, Lane recommends finding the intersection between the ESG investment and your business — and then leveraging expertise from the right internal stakeholders. For example, assessing the value you may generate from supporting LGBTQ causes may seem difficult at first glance. At UPS, finance worked with public affairs, sales and business development to find out how many untapped LGBTQ-owned companies are out there and determine how much more business UPS could attract from them.

Figure 2. UPS' Corporate Materiality Matrix



Source: UPS

Similarly, deciding against an investment can carry strategic and operational risks — not just legal, compliance or reputational exposure. Include these opportunity costs in your calculus to expand your understanding of the investment's value.

For instance, UPS made an equity investment in U.K. startup Arrival, and plans to purchase 10,000 electric vehicles from the company.⁶ That spending partly serves as a hedge against getting kicked out of important markets. As cities become more congested, regulations increasingly aim to reduce traffic and pollution; for example, London introduced a congestion charge in 2003 for most vehicles driven through the city center between 7 a.m. and 10 p.m., adding a discount 10 years later for ultra-low emissions (for example, from electric cars).⁷ Newman recognizes that if fuel-burning UPS vehicles might one day be excluded from clogged (and smogged) cities, the company would face significant losses.

Newman also recommends using a cash value-added model, which calculates the cash flow the investment will generate, to make the case for significant upfront costs on the basis of long-term impact. This logic helps UPS make spending decisions — such as installing solar arrays on facility rooftops and purchasing alternative fuel vehicles. The savings in electricity and fuel costs down the line make the initial investments attractive, in addition to reducing emissions.

Differentiate Your Evaluation Standards for ESG vs. Business Investments

Even when guided by corporate strategy and quantified as much as possible, environmental and social investments will often look less appealing than business investments on paper. It may take longer to realize returns, and the rate of return may be lower. To turn the right ESG projects into reality, Newman recommends using a different filter to evaluate them.

He chairs the capital committee, which includes UPS' head of accounting and planning, chief strategy and transformation officer, chief engineering officer and CIO. They review and make decisions about all corporate investments, but Newman makes sure ESG projects are treated differently during discussions.

The committee has agreed to:

- Tolerate a longer cash-back period of six to 10 years, compared to the typical two- to three-year period for most business investments.
- Be comfortable with a value assessment that's up to 75% qualitative.
- Take a portfolio view, balancing the potentially lower rate of return for an ESG initiative with more aggressive business investments.

Allowing for a longer cash-back period benefits the business because it gives a leg up to projects with the potential to improve products, services or processes. For example, UPS invested in revamping its navigation system to minimize fuel usage and emissions, partnered with TerraCycle to design reusable totes that reduce waste from packaging and rolled out temperature-sensitive packaging for delivering medicines to people in need. These address environmental and societal imperatives while expanding the company's portfolio of innovative capabilities.

UPS believes it's always possible to measure the impact; if you can't capture everything, you can get at least part of the way there.

Newman acknowledges that for all the effort that goes into measuring and quantifying, sometimes evaluating these investments is more art than science. To qualitatively assess the value of a potential investment, he challenges committee members to ask themselves questions such as:

- Does the investment align with company values?
- Does the investment have a benefit? (It doesn't have to be financial, it could also be something that benefits the workforce, customers or society.)
- Does the investment address an issue that is important to stakeholders (for example, employees, communities, customers)?
- Does UPS have unique expertise or abilities to help address this issue?

Through these types of discussions, UPS came to support initiatives such as pioneering the drone delivery of vaccines in remote areas of Rwanda

and Ghana, planting trees and making charitable donations to the United Way. The ROI of these investments may not be fully quantifiable, but the impact is unquestionable. They support corporate values and meet important societal needs. And from a pragmatic perspective, UPS has the resources and expertise to make a difference without making a huge dent in the company's overall budget.

Finally, the capital committee contextualizes ESG projects within the entire portfolio of corporate investments. Even though some social or environmental initiatives may yield a lower return, they are a relatively small part of the total budget, so the overall rate of return across all investments will still be attractive.

The committee is uniquely positioned to maintain this balance. For instance, when the COVID-19 crisis began, it approved unplanned charitable

donations but made up for them by prioritizing more aggressive business investments. Adopting a similarly holistic perspective will help you allocate resources efficiently to best serve all stakeholders.

"In reality, delivering returns to shareholders comes when we play a responsible role in terms of serving communities and helping lift them up," Lane told us.

- ¹ [Sustainability in Business Is More an Opportunity Than a Threat](#), Forbes.
- ² [UPS Cash Dividend History](#), UPS.
- ³ Bloomberg Terminal, accessed 27 August 2020.
- ⁴ [UPS Recognized on Dow Jones Sustainability World Index for Seventh Consecutive Year](#), UPS.
- ⁵ [Your Company's Next Leader on Climate Is the CFO](#), HBR.
- ⁶ [Accelerating Sustainable Solutions - UPS 2019 Sustainability Progress Report](#), UPS.
- ⁷ [Congestion Charge](#), Transport for London.

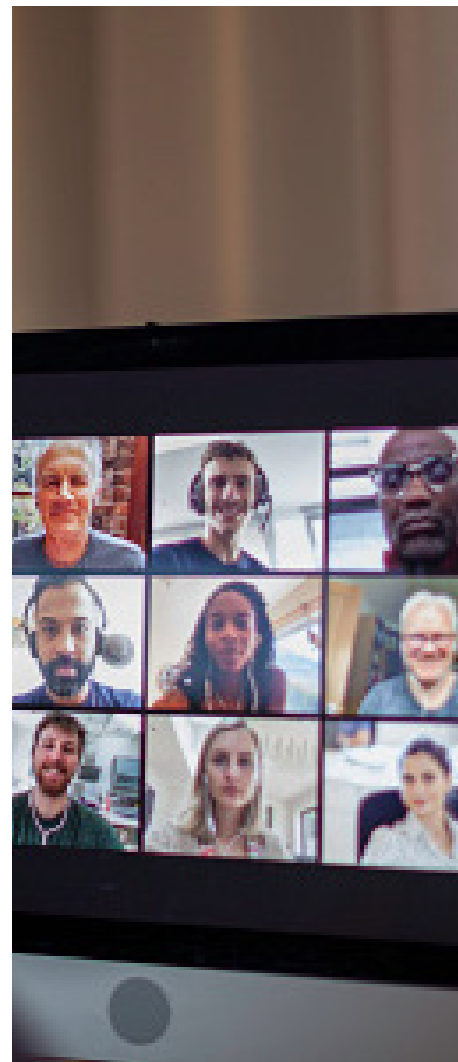
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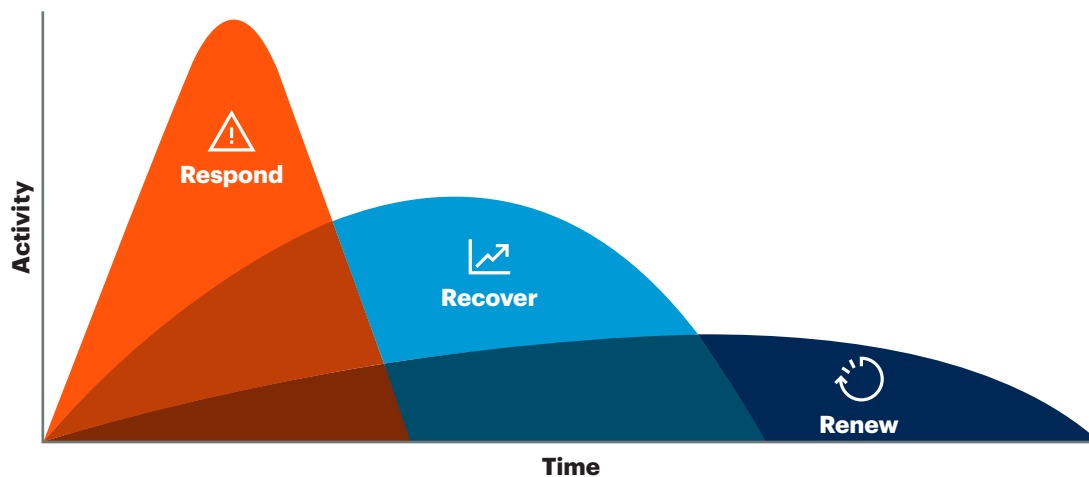


Leaders Should Help Teams Save Mental Energy as Small Changes Pile Up

by Jonathan Keeney

Employees were already facing a blazing pace of change when the COVID-19 outbreak came along and threw gas on the fire.¹ The sudden transition to remote work was the most obvious upheaval, but far from the only one; each phase of the pandemic response cycle brings its own additional disruptions (see Figure 1).

Figure 1. Expected Business Activity During and Post-COVID-19



Additional Changes Due to COVID-19

1. Halted projects
2. Influx of temporary fixes
3. Workplace/move to remote work changes
4. Process changes
5. Shift of work between teams
6. Shocks to operational environment
7. Compensation and benefits reductions
8. Changes in type of support/services customers need

1. Shift in investment priorities
2. Stabilizing prior temporary fixes
3. Workplace changes
4. Hygiene policy changes
5. New "return to work" policies and procedures
6. Weathering workforce reductions
7. Weathering budget cuts
8. New reputation/brand management strategy

1. Shift in investment priorities
2. Business model and operations reset/rebuilds
3. Workplace changes
4. Acceleration of M&A activity
5. New "winners" and "losers" (in terms of competitors)
6. Accelerate automation technologies (i.e., RPA, machine learning and E2E suites)

Source: Gartner

While dealing with change, most employees need to work harder than usual to meet expectations for quality (81%), quantity (75%) and timeliness (79%).² That increased effort is sustainable to a point. People draw more fulfillment from work that involves some effort or challenge than they do from performing mindless tasks. But exerting additional effort eventually takes a toll: Only 14% of employees say their mental energy is high when they must handle a shift in circumstances.² That's a big problem: Mental energy—the ability to maintain a positive mood, manage stress and avoid burnout—is an important component of engagement, and it is critical to project success, customer satisfaction and continuous improvement. Leaders should worry most about the 49% of team members who say they are experiencing low mental energy while adjusting to differences in their work life.² These employees are three times more likely to resist additional changes and half as committed to staying with the company.³

Leaders Are Getting Better at the Major Rollout

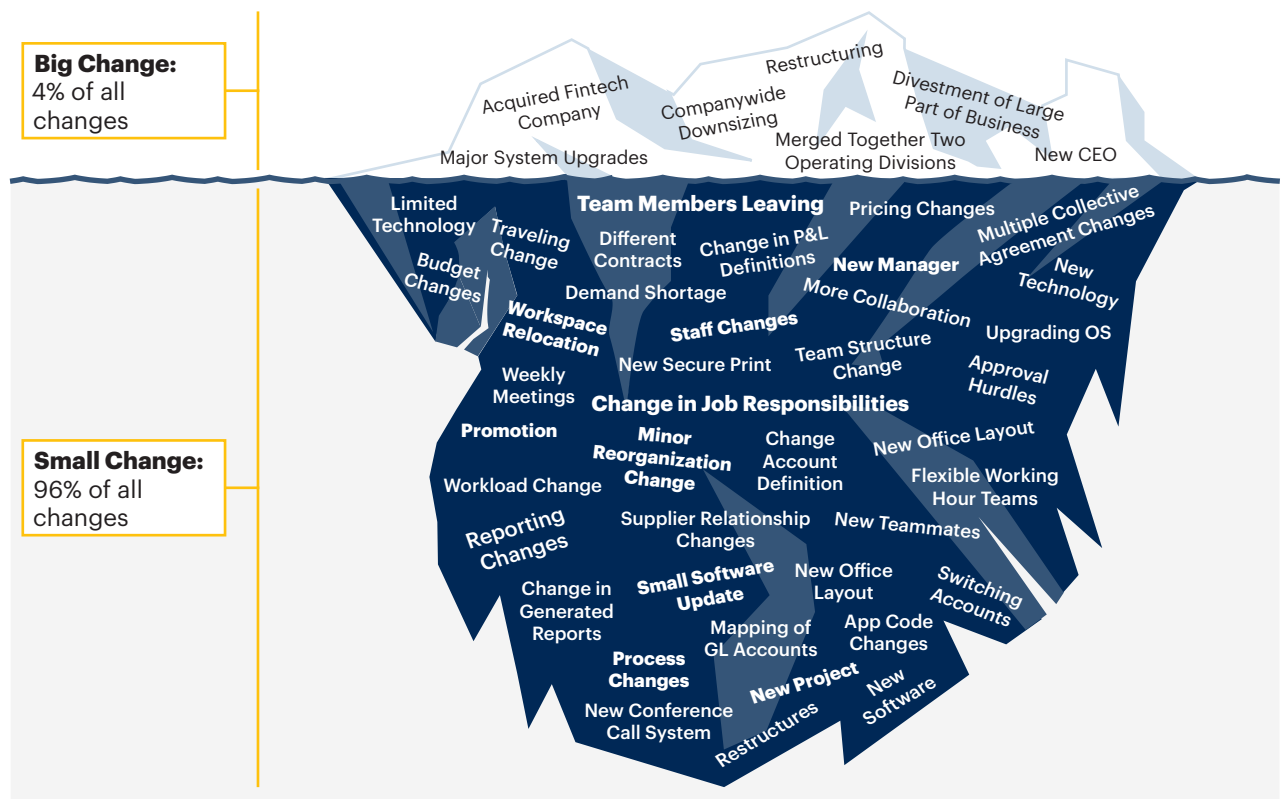
Most executives have solved one part of the puzzle. They plan well in advance to manage big changes, such as a merger, reorganization or ERP upgrade. They communicate their plans early and often, and invest in training and support throughout the rollout.

Those efforts do pay off. In finance and shared services, for example, when leaders do a good job of supporting big changes, employees have 18% more mental energy than when their leaders do a poor job.²

They Must Also Address the High Toll of Frequent Minor Change

Big changes account for just 4% of all changes employees experience at work (see Figure 2). The remaining 96% are much smaller in scale—a team member departure, software update or new expense reporting requirement.² This kind of change tends to arise without much warning and is generally left to individuals or local teams to manage.

Figure 2. Breakdown of Changes Employees Experience by Size



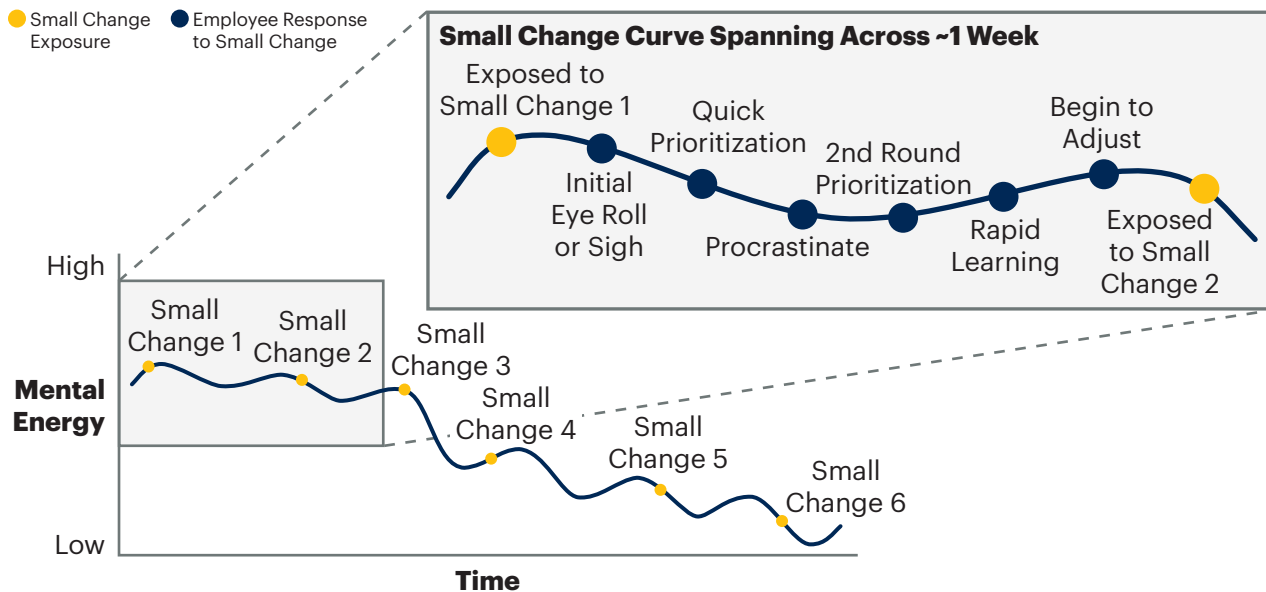
Source: Gartner

A single small change might, in isolation, have less impact on employees' mental energy than a single big change. But the damage caused by many of them over time is like death by 1,000 cuts (see Figure 3). While big changes come less often and are planned, leaving time to recover afterward, small changes keep bombarding employees before they can recoup their mental energy from the previous one.

Do senior managers offer the support the staff needs to address small changes? In a recent survey, only 34% agreed. Yet when their leaders do a good job of supporting small changes, employees have 40% more mental energy than when their leaders do a poor job. In other words, the impact of small change support on employee mental energy is more than twice that of big change support (see Figure 4).

Figure 3. Impact of Small Changes on Employee Mental Energy Over Time

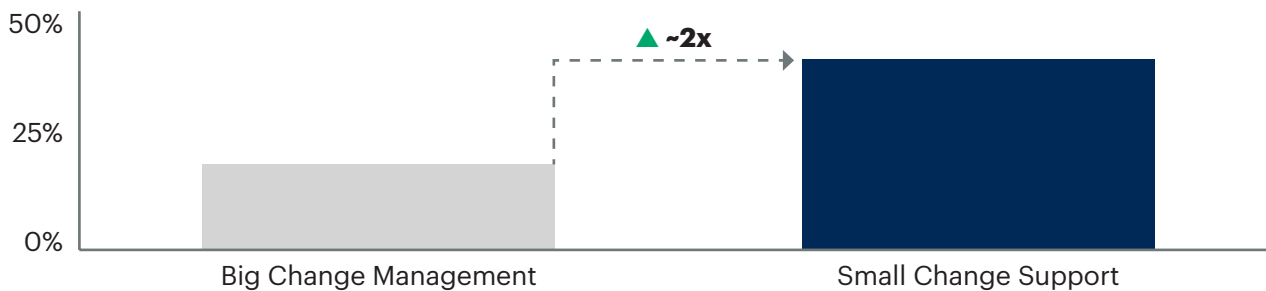
Illustrative



Source: Gartner

Figure 4. Big Versus Small Change Support Impact on Mental Energy^a

Percentage Change in Employee Mental Energy as a Result of Moving From the 10th to 90th Percentile in Big Change Management and Small Change Support Indexes^b



n = 499 finance and shared services employees

Source: 2020 Gartner Change Impact Model

^a Mental Energy Index: The ability to (1) remain positive, (2) manage stress, and (3) avoid forms of burnout or exhaustion, both on a regular basis and during times of heavy workloads or change.

^b R² of the model is 37%

Increasing investment in small change support will lead to more resilient and committed teams that can take on their top priorities.

To better protect their teams' mental energy, leaders must do two things: First, they must find ways to detect the impact of a small change sooner. Second, they must find a way to offer support and resources when they don't have time to do it themselves; too much is happening too often. Ingram Micro Inc., an information technology company based in Irvine, California, has developed best-practice solutions that help solve both challenges.

Detect Small Changes Sooner

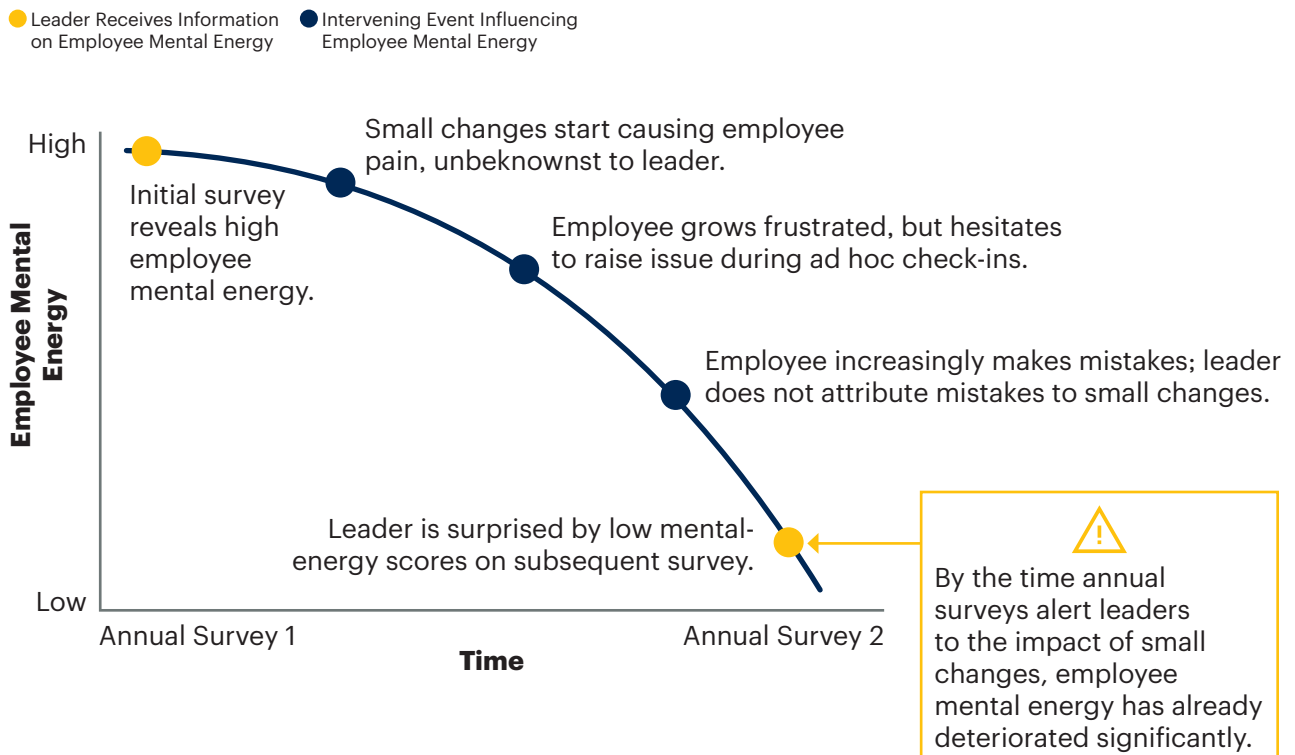
Leaders cannot realistically keep track of — much less plan for — every small change affecting their employees. But they can track mental energy, which is a good barometer of the collective impact. They have to do it more frequently, though.

Companies that measure mental energy tend to do so in their annual employee surveys. That's not

enough to catch issues while leaders still have time to act. For example, an employee might report having high mental energy in the annual questionnaire. Over the course of the year, that employee must handle a barrage of relatively minor new processes or obstacles that gradually wears down mental energy (see Figure 5). The employee grows increasingly frustrated and begins to underperform. With no clear opportunity to speak up about the effects of small change, leaders remain oblivious. By the time the next survey rolls around and finally offers insight into the employee's mental energy, it may be too late to salvage the situation. For example, the employee may be totally demoralized and planning to leave the company.

Team members may also be unaware of the reason they're feeling perpetually behind. Even if they recognize the problem, no one wants to be seen as a whiner. Instead of waiting for employees to come forward, monitor underlying behavioral changes to get a better and earlier read on their mental energy dips.

Figure 5. Changes in Employee Mental Energy and Manager Perceptions Between Annual Surveys
Illustrative



Source: Gartner

Every week, managers at Ingram Micro answer a short list of questions about each employee that paints a picture of that person's mental energy (for example, whether they feel overwhelmed or stressed about keeping up). They use a simple green-yellow-red rating for each query.

The results of this assessment trigger a rule-based process in which the degree of change in mental energy determines which members of the leadership team must get involved. Once the number of yellows or reds exceeds certain thresholds (either for a single employee or across a team), team leaders must escalate the situation to group leaders and then to department heads.

Ingram Micro's process also suggests specific action steps for each level of leadership depending on the severity of the issue (for example, running a root cause analysis to determine if a small change or some other factor is at fault). Jana Vondran, the company's senior vice president of global business services, told us this system has reduced the average time it takes to respond to small change impacts from around a month to around a week.



Jana Vondran

Senior Vice President
Global Business Services,
Ingram Micro Inc.

Provide Scalable Support and Resources

Creating timely awareness of the impact of small changes is only half the battle. Because small changes are so numerous and affect each employee differently, they demand extensive and varied support. Yet leaders don't have enough time in their days to provide custom-made assistance to every employee, so they must find more scalable ways to help them.

One effective practice: Design work in a way that gives your staff members more flexibility to respond to small changes on their own. Leaders can help by creating team charters, skills inventories, scrum boards or other tools that allow employees to see which team members have available bandwidth and important skills, and by empowering teams with the authority to move work between members as needed.

Leaders can also encourage employees to better support one another, ensuring rapid assistance without delivering it personally. Recognizing and rewarding those who help people keep up with small changes can motivate others to do likewise.

Ingram Micro's "Kudos" program is a twist on the traditional peer recognition system that deliberately encourages this kind of behavior. Instead of emphasizing major individual accomplishments, reward categories reflect spontaneous acts of support to teach others how to cope with change. For example, an employee might receive a "couldn't have done it without you" award for helping a colleague edit a backlog of reports that piled up while someone else took a vacation. Employees at Ingram Micro can redeem these rewards for desirable prizes; the company drives more consistent participation by also recognizing those who use the system to spotlight teammates. Ingram Micro saw a 20% increase in recognition of small change support from the first year of this program to the second.

¹ In finance and shared services, for instance, 67% of employees said they had endured more changes — 39 on average — in 2019 than in the year prior (2020 Gartner Employee Change Impact Model; n = 499).

² 2020 Gartner Employee Change Impact Model; n = 499.

³ 2019 Gartner Change Fatigue Model; n = 4,000.

Keep Innovating Your Business Model to Weather the Unknown

by Steve Shapiro and Daniel Sun

Executives used to view business model innovation as a way to adapt to market signals or competition. Now it is a stress test for the health of the enterprise. It's no longer a question of what leaders could and should do, but what they need to change.

To cope with plummeting advertising revenue in the face of the pandemic, Spotify pivoted quickly to attract more paying subscribers by buying rights to new content, such as podcasts.¹ Amazon partnered with Lyft to source talent needed to meet increased demand and staff new initiatives.² And it's not just tech companies that made sharp turns; food processors such

as Tyson and Sanderson Farms shifted their customer base more toward grocers and away from restaurants.³

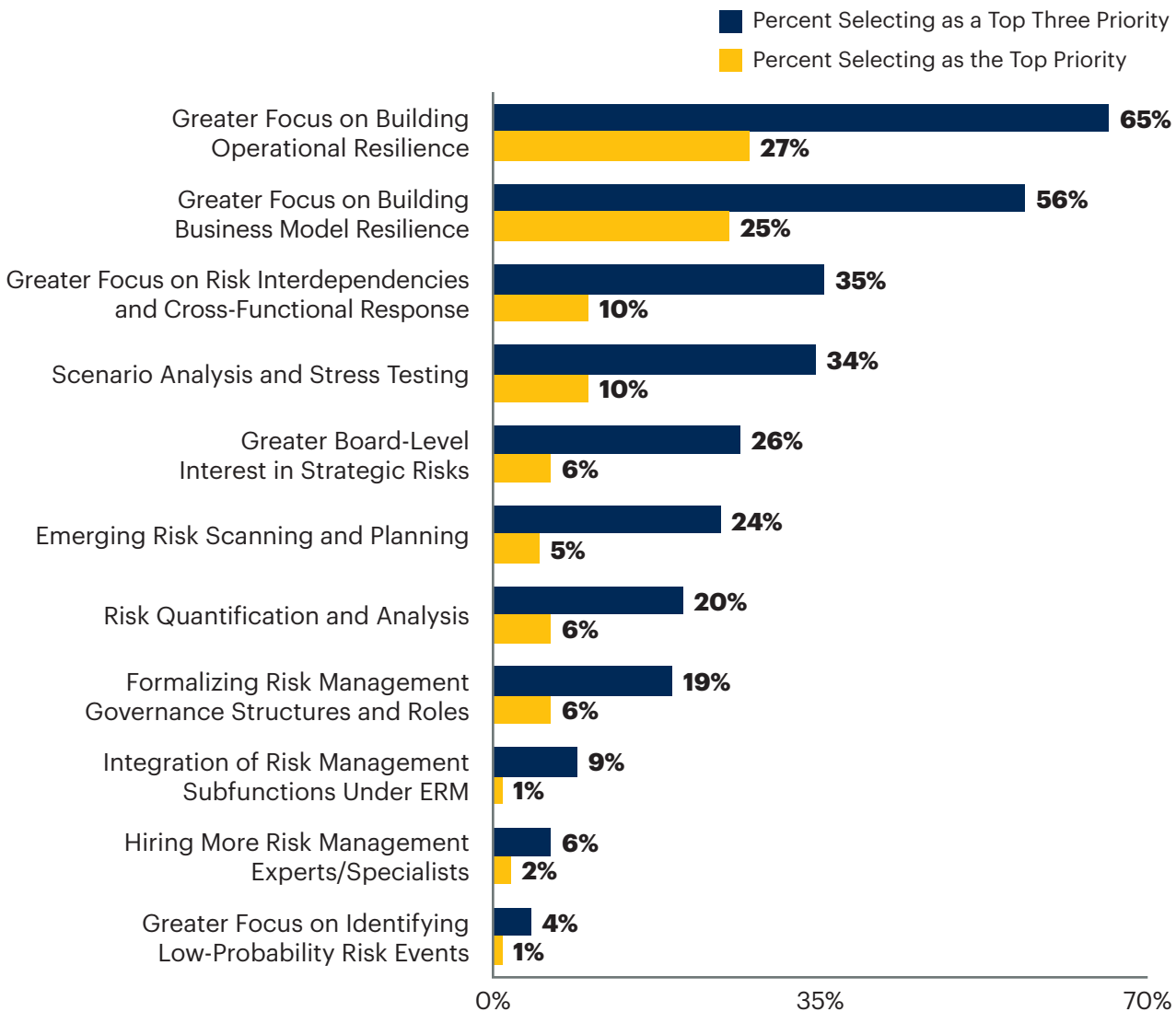
These changes highlight the emerging focus on business model resilience — the successful process of business model innovation, which secures the organization's ability to survive under any current and future crises.

It's an imperative recognized by leadership across companies. A quarter of risk managers indicated as much in an August poll (see Figure 1). And more than half of supply chain leaders say exploring new business models is a top five opportunity after the crisis. Ninety-two percent also think the adoption of new models will increase in the next five years.⁴

Even before COVID-19 swept around the world, 86% of nearly 500 CEOs reported their organizations' business models will be somewhat or very different within three years.⁵

Executives throughout the organization need a systematic way to start probing current models and innovating new ones rather than reacting to ongoing complications from COVID-19 or new turbulence. The person or group leading the model change initiative could be the CEO, strategy, risk, IT or others, depending on the company's structure and needs. Start finding options for innovation now and have a process for shifting them when the need arises.

Figure 1. Top Risk Management Areas Organizations Are Likely to Prioritize Because of COVID-19

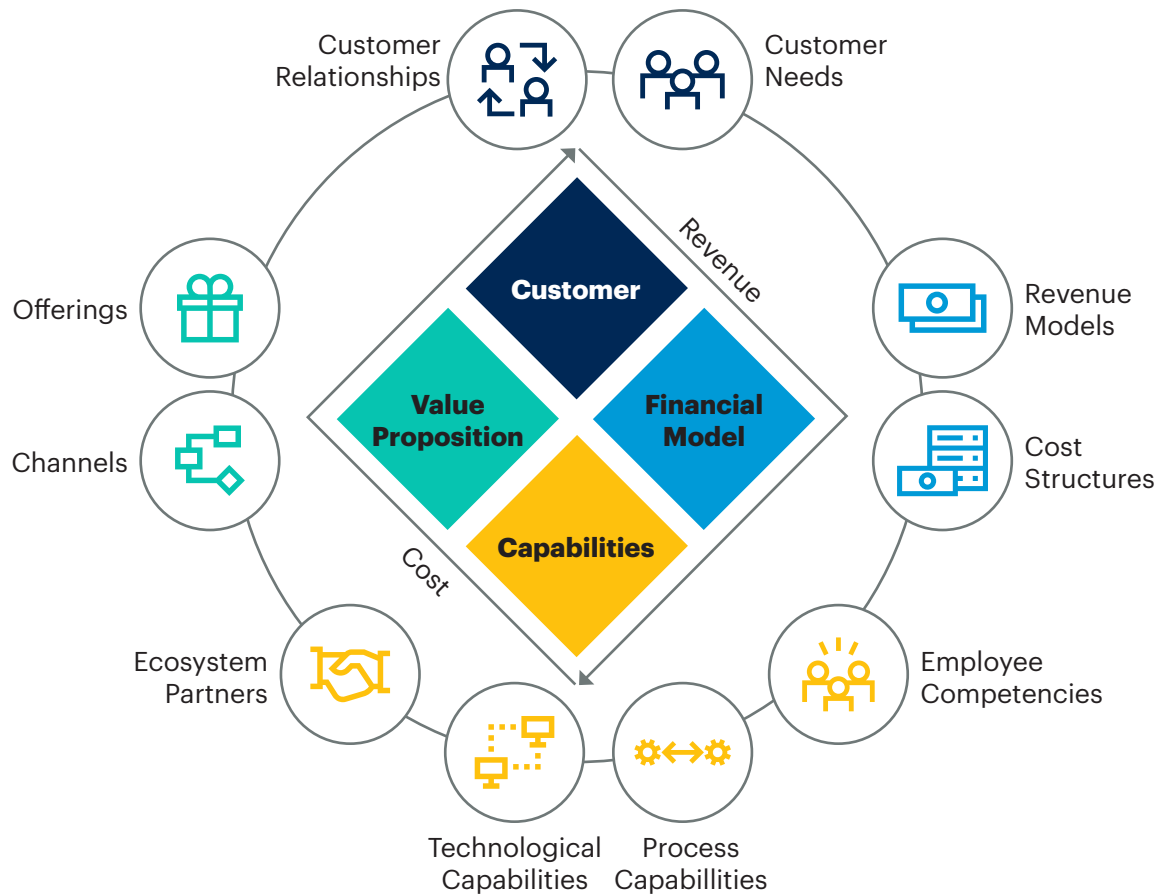


n = 290, all respondents

Q: What are the top three risk management areas your organization is likely to prioritize because of this crisis?

Source: Gartner Risk Management During a Crisis

Figure 2. 10 Aspects of Business Model Innovation



Source: Gartner

Testing Business Model Resilience

First, examine your business model through the lens of resilience — how well it will stand up to a range of scenarios, particularly disruptive ones. Areas that appear vulnerable to change are ripe for innovation.

Figure 2 shows how the four main components of the model — customer, value proposition, capabilities and financial strategy — contain 10 opportunities for innovation.

Define your model by asking questions about each aspect (see Figure 3).

Then look at the uncertainties around each of these aspects. Figure 4 offers an illustrative example of what a traditional retailer might face from COVID-19. Use scenarios; a strength, weakness, opportunity and threat (SWOT) analysis; or even a brainstorming session. Include a diverse group of participants in these exercises. The people involved should have expertise in

different aspects of the model. For instance, the CIO might speak to capabilities, the CFO can advise on financial aspects and the CMO could discuss the customer experience.

When you have identified the uncertainties, assess their impact on the business and target them for innovation and change initiatives. For example, during a pandemic, consumers may not come into stores as much, leading to lease costs without much return. A company might decide to repurpose store space for other needs, such as warehousing goods for online business. Similarly, a food distributor that supplies restaurants might experience unpredictable demand and restructure its distribution system to focus on individual consumers. This is what U.S.-based distributor D’Artagnan did and as a result, saw its e-commerce business increase five-fold.⁶

Figure 3. Questions to Ask to Define Your Business Model

Customers	Value Propositions	Capabilities	Financial Models
<ul style="list-style-type: none"> Who are our core customers? What are their critical needs that we must fulfill? What are our relationships with them (e.g., long- vs. short-term)? 	<ul style="list-style-type: none"> What do we offer to our customers to fulfill their needs? What channels are we using to fulfill their needs? 	<ul style="list-style-type: none"> What ecosystem partners are needed to deliver the value propositions? What technological capabilities (e.g., equipment) are needed to deliver the value propositions? What business processes (e.g., manual vs. automatic) are needed to deliver the value propositions? What employee competencies (e.g., specific skill sets) are needed to deliver the value propositions? 	<ul style="list-style-type: none"> What revenue models (e.g., subscription, transactional) do we use for our core customers? What is the cost structure (e.g., relative proportion of variable vs. fixed costs) of our offerings to these customers?

Source: Gartner

Figure 4. Illustrative Example of How to Identify Uncertainties in the Business Model

Business Model Component	Business Model (Innovation) Aspect	Defining Business Model	Identifying Uncertainties
Customers	Customer Needs	Convenient, high-quality and in-store shopping experience	Customer needs will change significantly (e.g., product categories).
	Customer Relationships	Customer aged 50+ are loyal customers while others have alternative options (e-tailers)	Less loyal customers will come to the stores while disloyal ones choose e-tailers.
Value Propositions	Offerings	Food and beverage products	Some products (e.g., alcoholic beverage) become less popular and have high inventory levels, while some others see a stock-out.
	Channels	Retail stores	Few customers will come to stores. So retail stores become a less effective and efficient channel.
Capabilities	Ecosystem Partners	Traditional order acquisition and execution	The salesperson cannot go to the outlets regularly, and distributors take a much longer time to deliver.
	Technological Capabilities	Traditional retail systems (e.g., on-premises POS)	Many customers prefer not to have contacts with store clerks during the transaction or payment.
	Process Capabilities	Traditional processes of order, promotion, new launch, in store and payment	Many of these traditional processes (e.g., order, new launch) will be largely disturbed.
	Employee Competencies	Store clerks sell products and provide customer services	Since fewer customers will come to stores, stores will be overstaffed with traditional store clerks.
Financial Models	Revenue Models	Transactional and offline revenue	Revenue stream will be largely affected.
	Cost Structure	High fixed cost, particularly committed fixed costs (e.g., real estate taxes)	Less revenue, along with high fixed cost, cause a high cost pressure.

Source: Gartner

Two Emerging Strategies for Business Model Resilience

One route to rethinking a business model is design thinking — a methodology originally used for product innovation. It starts with empathy for the end user of any product or service and works backward to provide a solution — a contrast to teams that design based on existing internal capabilities.

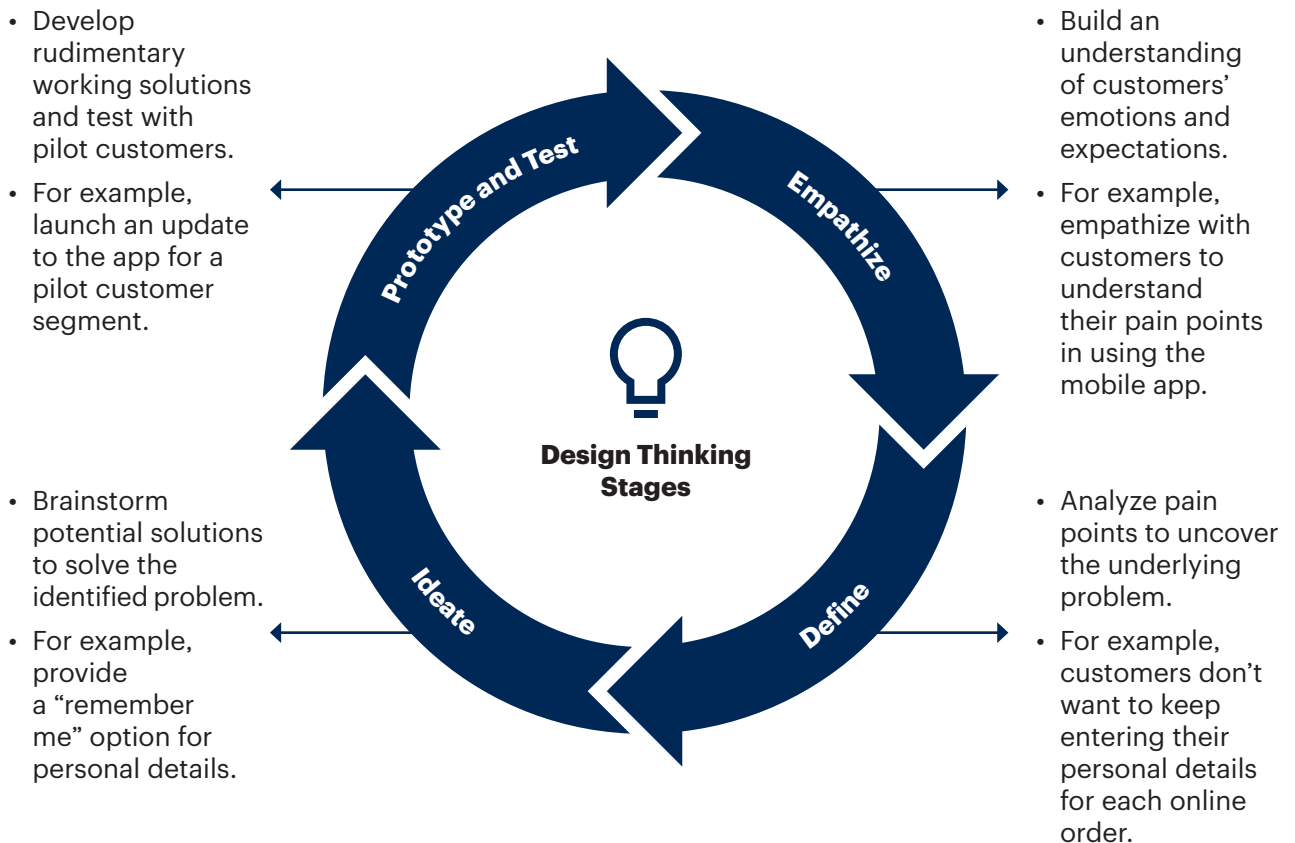
Design thinking is particularly well suited for a fast-changing environment as its four stages are tailored to embrace ambiguity and promote continuous assessment of what the client wants and how best to deliver it (see Figure 5).

This was also the most popular method for understanding customer needs before the pandemic, according to our 2019 poll of 29 CIOs who had experience with innovating

models. Over 80% said they used design thinking, and over 60% relied on focus groups or other customer-sensing activities, a critical component for the empathize step in this process.⁷

For example, the software B2B firm, ServiceNow used a design thinking principle to better understand its customers when the virus first hit.⁸ The company started asking its clients what they wanted rather than offering them what they had, according to Rhiannon Prothero, vice president of marketing for EMEA. This led the digital workflow management company to develop a program with apps to respond to the crisis, such as an emergency self-report tool to capture the status of employees.⁹ The focus on empathy is particularly useful during 2020, when people worry about and need to constantly respond to new challenges.

Figure 5. Design Thinking Stages to Understand Customer Needs



Source: Gartner

The other emerging strategy is to leverage tech companies, specifically digital giants, such as Alibaba, Google, Microsoft and Apple, to evolve the capabilities part of the business model. Instead of building up new resources, technologies and skills in-house, which takes a lot of time and money, organizations look to procure them. “Innovative responses require access to an ecosystem of partners, drawing on know-how and capacity in a wide variety of related industries,” Peter Williamson, professor of international management at Cambridge Judge Business School, told us about companies operating post-COVID-19.

During the pandemic, the digital giants have gotten bigger thanks to demand for online services.¹⁰ At the same time, they’ve also acted as a service provider to companies that want to rapidly expand their digital capabilities. “These tech companies were kind of the disruptive enemy. That’s starting to change,” Williamson said. Now other organizations view them “as the key technology partner, possibly the ecosystem leader.” Digital giants can act as partners or providers to build the following:

- Digital business platforms (for example, e-commerce, supply chain, digital media platform) that provide market access to the customers
- Scalable digital cloud infrastructure (for example, Alibaba Cloud, Amazon Web Services [AWS])
- Commodity corporate services (for example, HR, finance, email and office automation)
- Digital payment platforms (for example, PayPal, Alipay and WeChat Pay)
- Consumer data and other data types, data science and artificial intelligence services, which you can use to better identify and address customer needs
- Components embedded in your products and services that add value to them (for example, voice recognition for chatbot)

Take Huanxi Media Group, a movie distribution company. Facing millions of dollars in lost revenue thanks to the closure of theaters during China’s lockdown, the company quickly turned to the digital company ByteDance to help distribute a film online. The companies struck a partnership deal in January of this year with ByteDance, paying Huanxi roughly \$90 million for access to the content and a slice of the advertising revenue. By February, the movie gained over 600 million views.¹¹

Hangzhou Intime Department Store took a more direct route. Owned by Alibaba, the retail company connected with another Alibaba subsidiary, TaoBao, to launch a new digital channel — livestream sales, an online video service — to reach customers who could no longer come into the store. Competing with “influencers” who appeared on other livestream channels, Hangzhou Intime used its own employees to sell merchandise and generated as much revenue from one live sales event as the week before COVID-19 emerged.¹² One of Alibaba’s main competitors, JD.com, has also shifted its model toward livestream sales in a partnership with Kuaishou Technology, an e-commerce app. This new channel allowed it to retool its large supply chain to sell and deliver to customers directly on the app.¹³

Companies often stop growing due to factors within their control; the external environment doesn’t stall them, their failure to adapt does. If organizations want to make it in today’s unpredictable and fast-paced world, they need to routinely test and innovate their business models. Those that are too complacent may find their recipe for success yesterday doesn’t work tomorrow.

¹ [How Businesses Have Successfully Pivoted During the Pandemic](#), Harvard Business Review.

² [Three Proactive Response Strategies to COVID-19 Business Challenges](#), MIT Sloan Management Review.

³ [Coronavirus Forces Manufacturers to Shift More Production to Retail](#), Food Dive.

⁴ 2020 Gartner Opportunity After the Crisis Survey.

⁵ 2019 Gartner CEO and Business Executive Survey.

⁶ [COVID Effect: Forced to Adapt, Businesses Rethink How They Make Money](#), Financial Express.

⁷ 2019 Gartner Developing Business Model Study.

⁸ [Using Design Thinking to Respond to Crises: B2B Lessons From the 2020 COVID-19 Pandemic](#), National Center for Biotechnology Information, U.S. National Library of Medicine.

⁹ [ServiceNow Has Released 4 Free Apps, COVID-19 Customer Care Program](#), BusinessNow.

¹⁰ [Tech Giants Are Profiting — and Getting More Powerful — Even as the Global Economy Tanks](#), The Washington Post.

¹¹ [Coronavirus Nearly Killed This Chinese Movie. But the Studio Had Other Ideas](#), The National Interest.

¹² [Intime Shopping Guide Live Broadcast at Home for 3 Hours to Win the Usual Week of Sales](#) (Chinese language), cnr.cn.

¹³ [JD.com Joins Video Platform Kuaishou in Live Streaming Sales Deal in Time for China’s Midyear Shopping Festival](#), South China Morning Post.

Analytics Showcase 2020: 6 Data Plays That Informed Fast Business Moves

Curated by Steve Shapiro and Dian Zhang

With contributors Gabriella Cerio, Katy Connealy Weber, Jason McNellis, Jitendra Subramanyam, Shelly Thackston, Farhod Yuldashev

These six organizations found ways to use information and tools such as machine learning to achieve their goals, even with imperfect data. They rightsized staffing, helped employees course-correct quickly, minimized inventory costs, beefed up sales and adjusted marketing spend, just when they needed to.

Right-Sized Staffing

1 St. Michael's Hospital of Unity Health Toronto: Forecasting Absences to Optimize Nurse Staffing

Problem: To fill in for vacationing or sick staff nurses, St. Michael's decided to create a float team. Overstaffing it would add unnecessary labor costs while understaffing would mean the hospital had to pay overtime for nurses already tired from their regular work or hire temporary workers who were unfamiliar with the job; both of those options were expensive, too. Not only that, the quality of patient care could suffer.

Solution: Using absence data from the past three years and machine learning techniques,

data scientists developed a forecasting model to predict the weekly number of absences for the coming year. The results populated a second in-house-created model that determined the optimal size and mix for the team. Users of an internal platform could modify assumptions and variables to test the impact (see Figure 1).

Results: The forecasting tool revealed that the optimal number of float nurses was 37, rather than the 22 initially planned.

Figure 1. St. Michael's Hospital Nurse Staff Planning Tool



Source: St. Michael's Hospital of Unity Health Toronto

2 The Coca-Cola Company: Embedding Talent Analytics in Performance Management

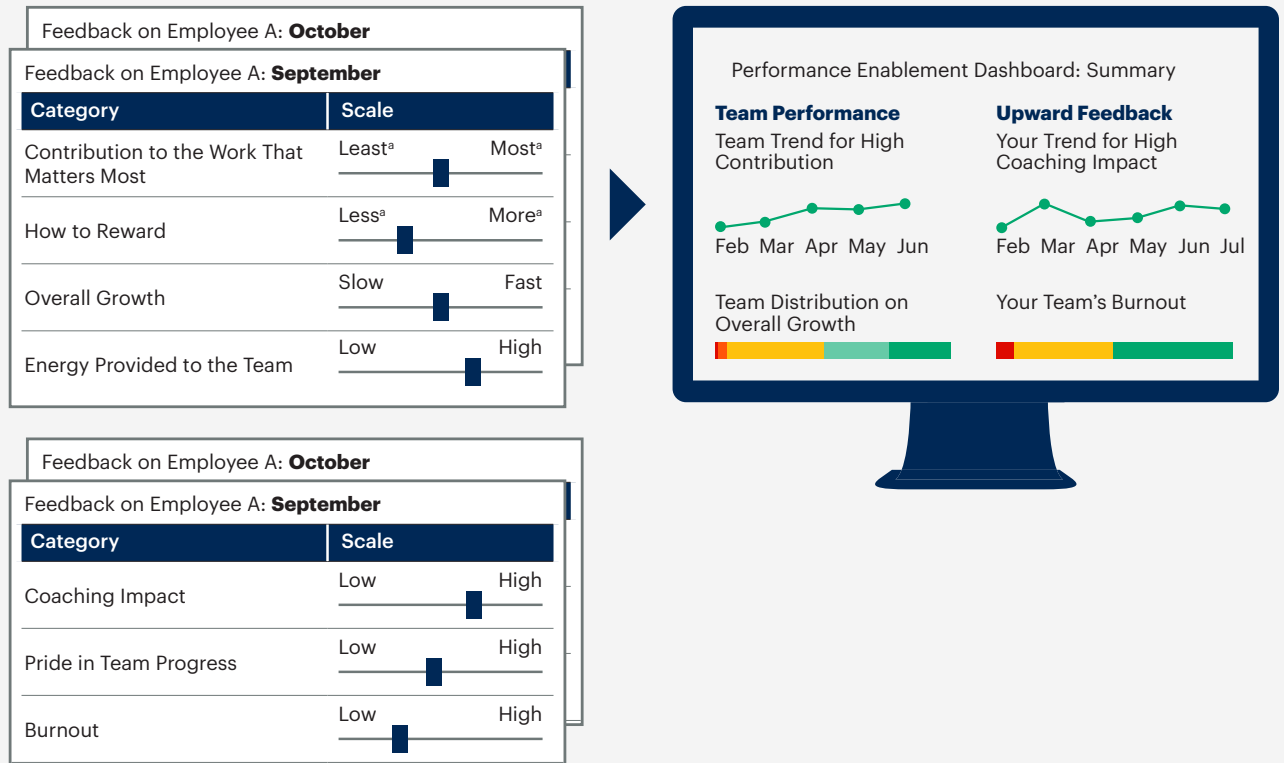
Problem: Like many organizations, Coca-Cola recognized that its rigid performance management process did not drive effective conversations, differentiate rewards or support employee development. Traditional annual or biannual performance conversations were backward-looking and didn't allow for behavioral responses to trends or disruptions.

Solution: Coca-Cola decided to embed frequent data analysis into talent management. The talent analytics team started a monthly two-way assessment questionnaire. The survey asks managers to rate their direct reports on attributes such as performance, growth

trajectory and the level of energy they bring to the team; in turn, employees score managers on coaching effectiveness and leadership. Talent analytics compiles a dashboard that tracks responses over time. This insight helps guide more meaningful conversations during check-ins and reviews by focusing on trends and lets the analytics group look for patterns (see Figure 2).

Results: Coca-Cola saw a significant increase in the correlation between rewards and performance. Managers and employees also reported greater clarity about expectations and more objective reviews.

Figure 2. Coca-Cola's Method for Continuous Data Sourcing



Source: Adapted From The Coca-Cola Company

^a Relative to the rest of the team

3 Jaguar Land Rover: Using Graph Analytics to Surface Relationships Between Product Lines for Quick Response to Sudden Market Changes

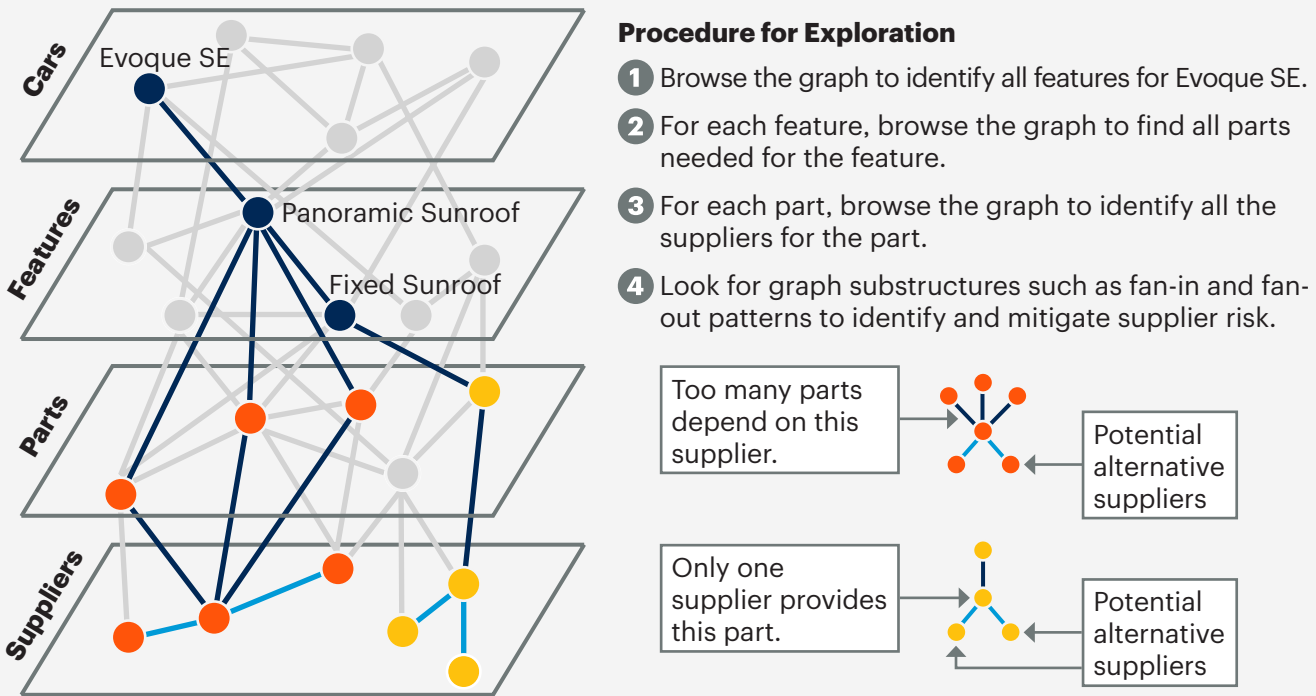
Problem: It's difficult to answer critical business questions that require data from different business units and functions throughout the organization. Each group understands the data in its own context, often failing to see how it links to other parts of the organization. Questions surrounding inventory management, profitability and third-party risk all prove unanswerable from only one angle. Sudden shifts in demand and supply can expose hidden problems in a complex and opaque network. Several products could depend on a critical part from a single vulnerable supplier. A vendor that is seldom used may be overlooked as an option to boost production.

Solution: The analytics team at Jaguar Land Rover used graph analytics — a method to

understand relationships between data — to see connections between “business objects” — in this case, the parts and features of a vehicle. In doing so, the team learned how to link separate data sets that had been locked until then in different functions, such as sales, manufacturing and supply chain. Using this map as a foundation, it found patterns in the flow of parts, pinpointing which suppliers were under stress and which had extra capacity (see Figure 3).

Results: Jaguar Land Rover applied graph analysis to answer more questions, such as how to transfer inventory more efficiently and what effect changing a feature on a vehicle would have on profitability. As a result, inventory costs went down, and profitability for two product lines went up.

Figure 3. Jaguar Land Rover's Graph Analytics Exercise



Source: Adapted From Jaguar Land Rover

4 Avon: A Machine Learning Model to Motivate Sales Reps

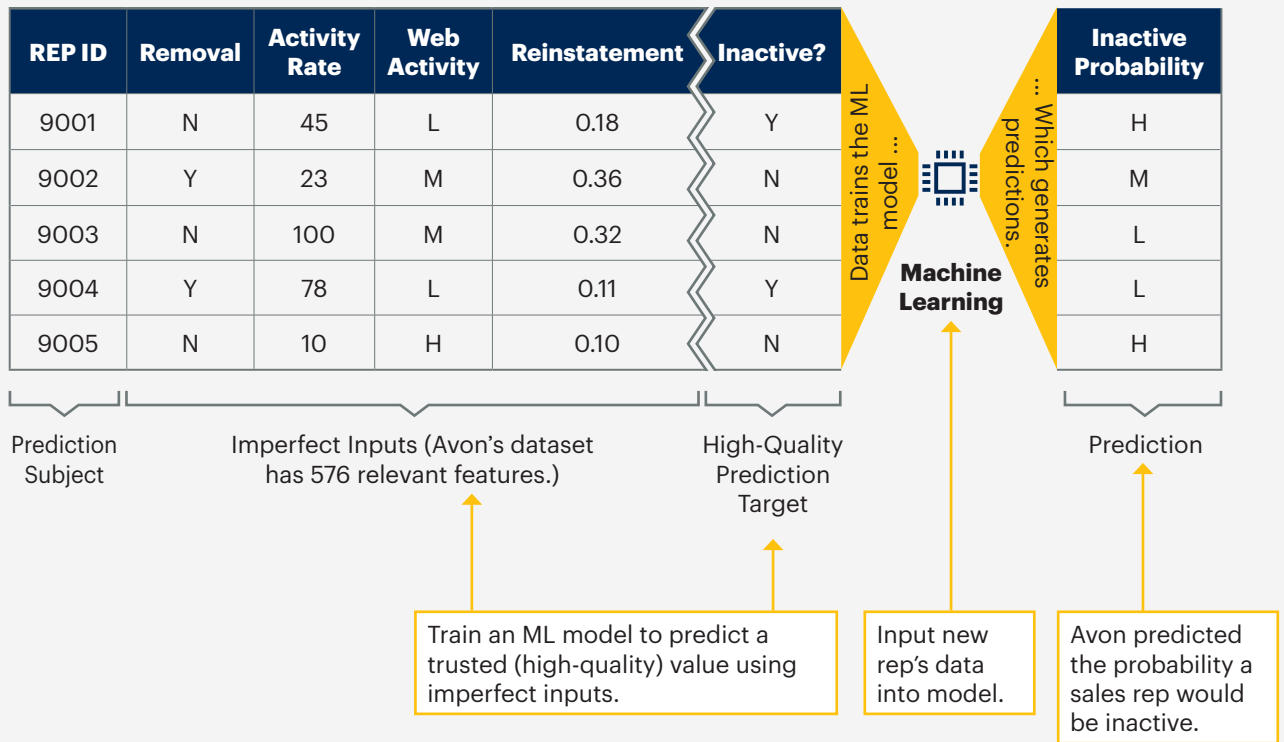
Problem: Four years ago, Avon lost the opportunity to sell more than 2 billion units because a large number of Avon’s representatives — independent contractors who buy and sell its products — unexpectedly went inactive.

Solution: Despite incomplete information about the salespeople and their past results, Avon’s data analytics team was able to train an algorithm on 576 relevant characteristics of its representatives, which enabled the model to account for subtle patterns unique to the company (see Figure 4). Avon then divided representatives into five segments — Premium, Valuable,

Potential, Uncommitted, Lapsers — based on their probability of inactivity and their previous average order value. Finally, the company experimented with specific training and messages to understand what early interventions can spur each group of representatives to generate more revenue.

Results: The pilot tests were fruitful. For representatives in the Potential category, Avon found that sending motivational emails helped drive a 7% increase in sales. For those in the Lapsers category, Avon tested with postcards, a brochure and an activation offer, which led to an 11% increase in activity and a 15% increase in sales.

Figure 4. Avon’s Prediction Model for Sales Activity



Source: Adapted From Avon

5 Polaris: Experimenting to Test Generated Marketing Plans

Problem: To sell more snowmobiles, motorcycles, all-terrain vehicles and boats, Polaris wanted to understand the impact of its marketing campaigns on retail performance. But Polaris primarily sells through dealerships and doesn't have full visibility into customer data.

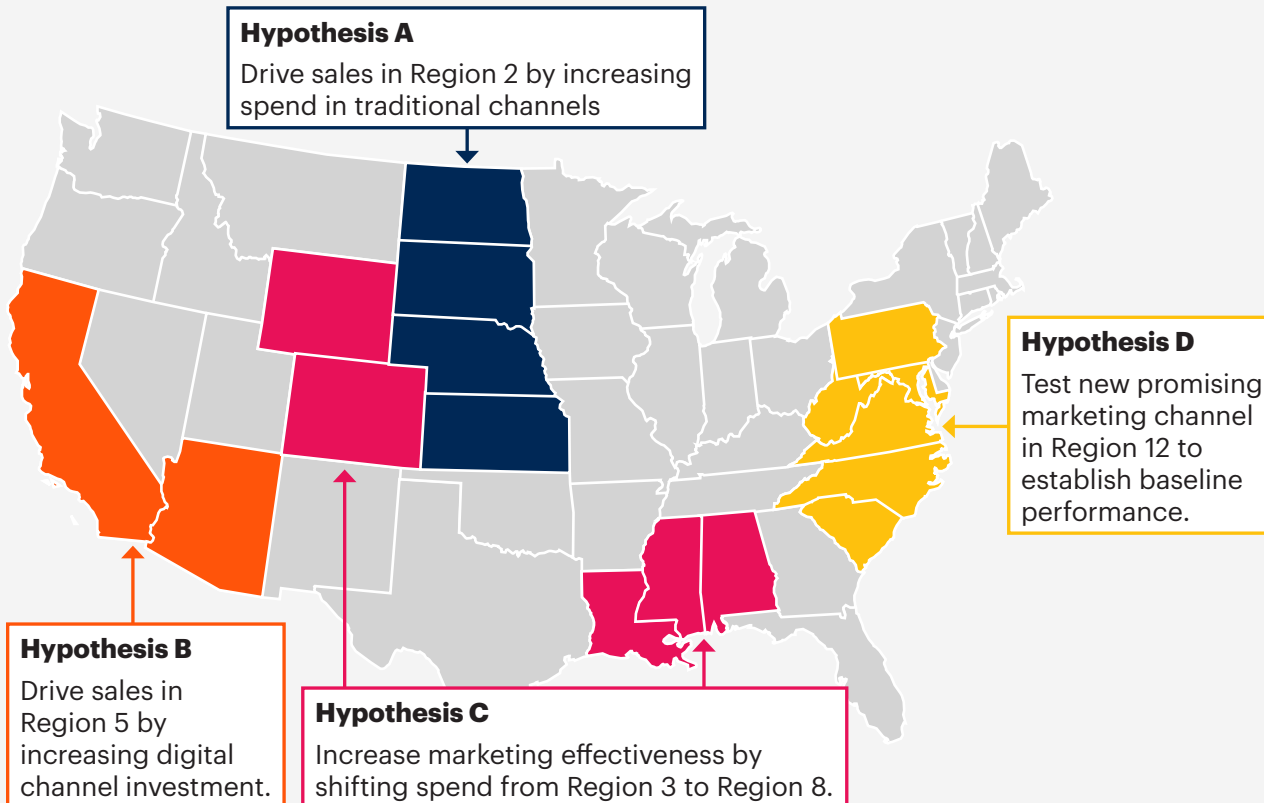
Solution: A centralized data science team collaborated with marketers to figure out a way to improve results without tracking how many customers may have seen the campaigns. First, the group developed a marketing mix model (MMM) with MCMC regression that worked well with the smaller datasets — such as sales by vehicle type, historical spend by channel, and dealer share of region— owned by Polaris.

Along with a planning tool created with Excel Scenario Manager, the model generated recommendations to reallocate marketing spend.

Polaris treated the suggestions as hypotheses and tested them in different markets (see Figure 5) with two groups of dealers — one that carried out the proposals and one control group. The company could therefore make meaningful comparisons and identify effective ways to modify marketing plans.

Results: The MMM program has generated more than a 30% increase — or a seven-figure amount — in incremental profit through increased vehicle sales every year since its implementation three years ago.

Figure 5. Polaris Testing MMM Findings as Hypotheses



Source: Adapted From Polaris

6 Regions Financial: Analyzing Consumer Profiles to Inform Timely Shifts in Media Spending

Problem: The marketing team at Regions Financial only assessed performance of initiatives every six months, which limited opportunities to shift resources, such as advertising spend, in response to changes in consumer behavior. Without that capability, it was difficult to maintain a solid ROI.

Solution: A new model, created by blending traditional media management platforms and digital ones, such as Google Display, the Trade

Desk, Adobe Advertising Cloud and MediaMath, analyzes marketing data at the individual level. Information about a consumer’s geolocation and social media use helps to predict the probability of purchases on certain channels (see Figure 6).

Results: The new analytics insights allowed the team to increase how often it redistributed the company’s ad spend — from twice a year to weekly — and led to a 100% increase in marketing’s incremental sales contribution.

Figure 6. Regions Financial Optimization Recommendations and Real-Time Updates

Optimization Recommendations

Approval			Media	Optimized Impact	Current Impact
Yes	Discuss	No	Cable TV: ESPN Nonprime	1,223,558	1,215,130
Yes	Discuss	No	Network TV: FOX Prime Time	227,992	441,615

Instant notifications and one-click approvals for campaign updates simplify real-time optimization.

A “Discuss” button initiates email discussions to speed up decisions requiring judgment.

Regions’ Accountability Framework for In-Campaign Optimization

Business	Name	Role	Campaign Start Date	Weekly Optimizations
Regions	Tom Jepsen	VP Marketing	May 1st	Responsible
Digital Agency	Jane Doe	Brand Strategist		Responsible
Agency Partner	Henry Seine	Account Manager		Assists
Consulting Firm	Tim Browne	Project Manager		Informed

Clear authority for executing campaign changes (including agency roles) ensures efficient follow-through without lengthy discussions.

Source: Adapted From Regions and Marketing Evolution

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Briefs

Smarter Spending & Planning

The CFO Can Help Cure the “Play It Safe” Syndrome Among Management

CFOs consistently tell us they face pressure from their boards of directors to take on higher-risk investments, but management resists. In fact, divisional executives are only willing to accept a loss of 1% to 20%, regardless of the size of an investment or its potential to cause harm.

It's not all their fault. Because metrics can be manipulated, CFOs and investment committees tend to funnel resources to managers based on past successes. So, executives pursue shorter-term, safer projects they know they can execute; they avoid longer, riskier initiatives that might generate greater returns. And they extend that thinking to the 40% of capital expenditures that don't require senior leadership approval.

To limit this strategic confusion:

1. Make it easier to propose high-risk investments. A lightweight business case template for projects with uncertain prospects requires less upfront financial analysis.
2. Help risky projects get off the ground. Fund proof-of-concept tests that gather enough data to determine whether early acceleration or termination is warranted.
3. Make it easy to end struggling projects. Exit triggers embedded in project timelines enable rapid resource redeployment to more promising opportunities.
4. Delink project performance from personal success. Partner with HR to adjust weights of individual objectives.

— Idris Evans

Procurement Leaders Move to Manage Costs and Avoid Reactive Cuts

Procurement leaders know how to manage cost pressures without eliminating contractors or goods. It takes a new mindset: making structured improvements instead of reacting in the short term with immediate cuts.

In a survey that allowed multiple choices, they said three categories present opportunities to boost efficiency and productivity, or shift spend to where it's needed most:

1. Professional services (selected by 52%)
2. Information technology (50%)
3. Maintenance, repair and operations (38%)

But they're getting pushback; 56% say that middle managers are most likely to object, compared with 4% who cite executives and 10% who cite line-level staff.

Procurement leaders tell us they are trying four ways to build organizationwide commitment:

1. Leadership advocacy — Identifying senior-level champions is the starting point for most.
2. Culture initiatives — Use newsletters, success stories and marketing techniques to persuade business partners. Cautionary note: These are easy to start and hard to sustain.
3. Experiential learning — Ask category managers to shadow them when they work to sell the business.
4. Staff reorientation — The team knows what to do but needs inspiration from procurement leadership to prioritize these efforts in the face of stakeholder doubts.

— Twisha Sharma

Talent & Culture

A Post-Election Snapshot of Politics in the U.S. Workplace

There's no consensus among U.S. companies about how to handle political discussions in the workplace. On the day after voting closed there, 500 employees described their organization's attitude toward political discourse on the job — roughly equal numbers said such interaction was “encouraged,” “discouraged,” or “neither encouraged nor discouraged.”

People are talking nonetheless. Thirty-seven percent overall said their employer was facilitating conversations in response to the election. Even at enterprises where political discussions were frowned upon, 77% still participated in them at least some of the time.

Forty percent of employees reported detrimental impacts on team cohesion:

1. Sixteen percent witnessed name calling.

2. Twenty-two percent observed others avoiding colleagues.
3. Fifteen percent saw others being treated unfairly.

Politics has also made it challenging to focus and collaborate, ramping up over the course of the year to this peak:

1. Sixty-eight percent said political discourse has affected their ability to get work done.
2. Forty-five percent avoided colleagues with differing political beliefs.

Some good news: Although 35% of employees said election conversations were stressful and/or frustrating, nearly twice as many (65%) found them interesting and/or informative — and 64% told us they felt comfortable disclosing election-related problems to their manager.

— Josh Bittinger and Daniel Rytjies

The Right Way to Measure Work-From-Home Productivity

Don't just look at daily activity metrics, such as screen time and the number of non-job-related searches. Those criteria only capture time spent working, not the impact of that work.

A more thoughtful and holistic approach also uses:

1. Productivity outcome metrics that track remote employees' results over time on initiative-based work, such as revenue per salesperson or number of deliverables produced weekly.
2. Predictive productivity metrics that measure how hard it is for employees to get work done; you'll identify gaps in work design that could inhibit remote staff's

productivity. These leading indicators include number of workarounds required or number of handoffs from individual to individual to complete a workflow.

To avoid a negative reaction, leaders should articulate the rationale for doing this, such as the need to identify and overcome obstacles to working in this new virtual environment. HR and business leaders should agree in advance on why they want this data and what they will do with it.

Remember, too, that metrics inform decisions but should not make them. Employees and managers are the ones who need to use the data to diagnose challenges and come up with solutions.

— Karishma Sahai

Briefs

Growth & Innovation

6 Principles for Crafting a Strategy During a Time of Crisis

As strategic planning for 2021 gets underway, conflicting and rapidly changing trends are making it harder than ever to identify the best path forward. Meanwhile, preoccupied and cost-cautious stakeholders present less than ideal conditions for reaching consensus.

To successfully plan during uncertainty:

1. Crowdsource planning analysis. Ask front line employees about market opportunities earlier, potentially more frequently, and with a smaller set of questions.
2. Conduct “clean sheet” scanning. Reassess core assumptions as COVID-19 shakes foundational tenets of business and operational models.
3. Narrow the focus of the planning process. Map which initiatives experienced major environment and performance changes to isolate where deep dives are most essential.
4. Clearly define the need for planning. Eliminate market noise by concretely articulating significant challenges that new plans will tackle.
5. Communicate ways to work vs. actions to do. Emphasize tools for understanding possible changes over quick delivery of new marching orders. Explain what to stop doing as well as what to start doing.
6. Engage via co-creation vs. increased communication. Disruptions in execution require cross-functional responses, strong understanding of strategic intent and deep buy-in. Offer more than just collaboration — give stakeholders real power.

— Meaghan Kelly

How Customer Service Can Encourage Loyalty

When service succeeds in helping customers achieve more with their product or service, or feel more confident about their decision to buy, the impact on loyalty is striking:

1. An 82% likelihood of purchasing again
2. An 86% likelihood of buying more than they did before
3. A 97% likelihood of spreading positive word of mouth
2. Advise them on new uses, such as untapped features.
3. Reassure customers they made smart purchasing decisions (as a waiter does when complimenting a meal choice).
4. Identify capabilities they might find valuable in the future based on present behavior and needs.
5. Outline how the product or service can help them achieve a goal.

This represents an opportunity to shift focus towards increasing loyalty in addition to preventing disloyalty. Leading organizations do both.

Five activities help:

1. Educate customers on better uses.
- Each of these can take place during live and self-service interactions, and several can occur in tandem. However, the best opportunities for them occur during general requests for information and troubleshooting, or other contact types, such as purchases and returns.

— Sarah Dibble

Data & Technology

An Interconnected Finance Analytics Network Will Spur Innovation

Although the percentage of the finance budget devoted to analytics nearly doubled over five years, financial planning and analysis leaders assembled tools, data and talent in a piecemeal fashion. They pay for business intelligence licenses that finance doesn't have the skills or experience to use; no wonder staff members stick with standbys such as Microsoft Excel. Operational data gets collected without finance being made aware of it; no wonder teams don't often find new ways to help decision makers solve business problems.

The conventional response: Standardize data, increase access, demonstrate use cases. The result: Analysts focus only on what's easy to do without exploring innovative solutions.

A more effective path: Catalyze high-quality and productive interactions. To build bridges that will make finance teams eager to learn from each other and explore:

1. Develop catalogs that show relationships among data assets; visualize the connections with a knowledge graph.
2. Create a handbook of recommended analytic methodologies and processes for different kinds of business requests.
3. Provide a list of services, along with their business value, for stakeholders.
4. Prepare a list of targeted questions to help finance staff get the right inputs from business partners.

— Marco Steecker

The Case for an “Employee Data Bill of Rights”

In the wake of the pandemic, companies are planning to collect more data on collaboration, personal health, movements through the workplace and self-identified race, ethnic group and disabilities, yet more than half of employees don't trust their organization with this information.

Only two of 10 organizations we polled informed employees about sensitive data collection.

To increase employee comfort with sharing, executives should start a two-way dialogue with employees about why data is used and how it is protected. For example, at GlaxoSmithKline, the people analytics team worked with legal and risk executives to bake ethics priorities into project intake — and took queries from employees over a social media platform.

Consider pledging to respect four basic employee data rights: purpose, minimization, fairness and awareness. In plain language, tell your workforce:

1. We promise to always have a clear and specific reason for collecting your data.
2. We promise to use the least (and least-sensitive) data possible to effectively achieve our goals.
3. We promise to use data to advance goals that are good for our employees as well as for our organization.
4. We promise to let you know what data we collect and why, and answer all questions we reasonably can.

— Kaelyn Lowmaster and Laura Cohn

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