

# Gartner Business Quarterly

Proven Guidance for C-Suite Action

## First Quarter 2021

Employee-Centered Paths  
to Business Growth

**To Improve Customer Experience, Improve the Customer-Facing Employee Experience**

**A New Employment Deal That Fuels Higher-Performing Organizations**

**Employee Passion Powers Intel's Global Supplier Diversity Program**

**3 Considerations for Managing People Costs Every Executive Should Know**

**Support Well-Being in 2021 and Beyond**

**There's No Place to Hide as Political Rifts Hit the Workplace**

**Shared Responsibility for Digital Business Means New Expectations for Leaders**

**Gartner**

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First Quarter 2021

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# Employee-Centered Paths to Business Growth

## Letter From the Editor

As Year 2 of global crisis gets underway, how can you help employees ready the company to move fast when better days arrive? This issue of *Gartner Business Quarterly* will share lessons on managing teams effectively through a period of illness, fear and bitter splits in society at large.

Though employees have generally kept producing and stayed engaged, adrenaline is giving way to battle fatigue. To win the next turn, you must recognize what has changed and use new ways to unleash the full force of your talent.

You'll learn from the short articles inside that letting staff members choose where, when and how much they work boosts the number of high performers by a third and that involving them in a shared sense of purpose on issues they care about — diversity, for one — will deepen commitment to your firm. Leaders must also join forces to spread important mindsets. With 87% of companies intending to compete on customer experience in 2021, you must show functional staff members how their decisions can influence the frontline's ability to serve — read to the end for one epiphany. Similarly, all executives, not just the CIO, must guide everyone toward "techquilibrium," the right mix of digital and traditional capabilities.

You'll find real-world experience shared by leaders at an international group of organizations, large and midsize, private and public, including Ageas, Electronic Arts, Genentech, Guangfa Securities, HP Inc., IBM, Mashreq, Perpetual Guardian, Red Bull and Western Health.

GBQ advises you on aligning with others and reaching peak effectiveness so your organization can achieve its goals, be bold and principled, and bring employees, investors and the public along for the ride.

Our standing departments keep you up to speed — Cutting Edge, a 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](mailto:judy.pasternak@gartner.com).

— Judy Pasternak

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When political and social divisions intensify, they damage the fabric of workplace culture. For executive leaders, the traditional approach of discouraging the topic looks untenable, given that three in four U.S. employees are discussing it anyway. The tension affects teamwork, productivity and retention.

### **58 Shared Responsibility for Digital Business Means New Expectations for Leaders**

It's no longer possible or appropriate for a single leader, such as the CIO, to steer digital business acceleration. The whole C-suite, indeed all senior managers, must work together to make technology decisions and create new team structures that help the company reach "techquilibrium."

# The Cutting Edge: 1Q21

## Cool New Data Points

Compiled by Oana Lupu



### Bias Persists Against Remote Employee Performance

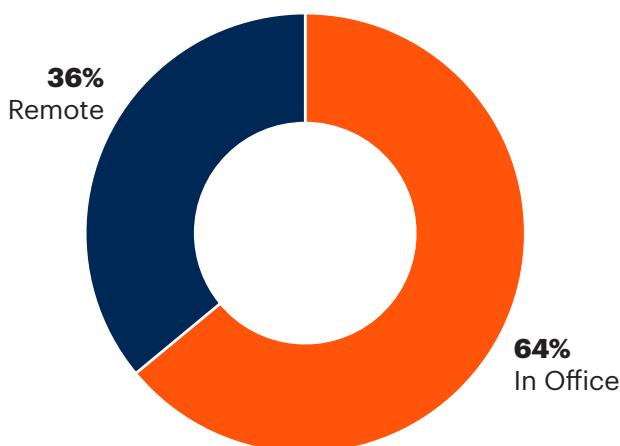
Months into the pandemic, most leaders still believe that in-office workers are higher performers and more likely to be promoted.

To make sure remote employees have the same access to opportunities and career tracks as their colleagues in cubicles:

- Uncover and discuss leaders' concerns about remote work.
- Develop strategies for recognizing the contributions of remote workers.
- Mitigate bias against remote workers in performance management.

#### Leader Perceptions of Higher Performance by Remote Status

Percentage of Leaders Who Believe Remote or In-Office Employees Are Higher Performers

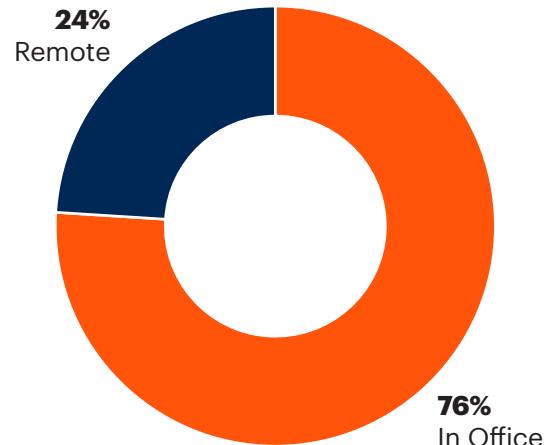


n = 2,971

Source: Gartner Improving Employee Engagement Survey (September 2020)

#### Leader Perceptions of Likelihood to Get Promoted by Remote Status

Percentage of Leaders Who Believe Remote or In-Office Employees Are More Likely to Get Promoted





## Agile Learning Accelerates Employee and Business Growth

Only 27% of organizations are agile learning enterprises, which develop skills through iterative short bursts in the flow of achieving outcomes. At these companies, learning is a core part of the job — not time away from the job.

**3X**

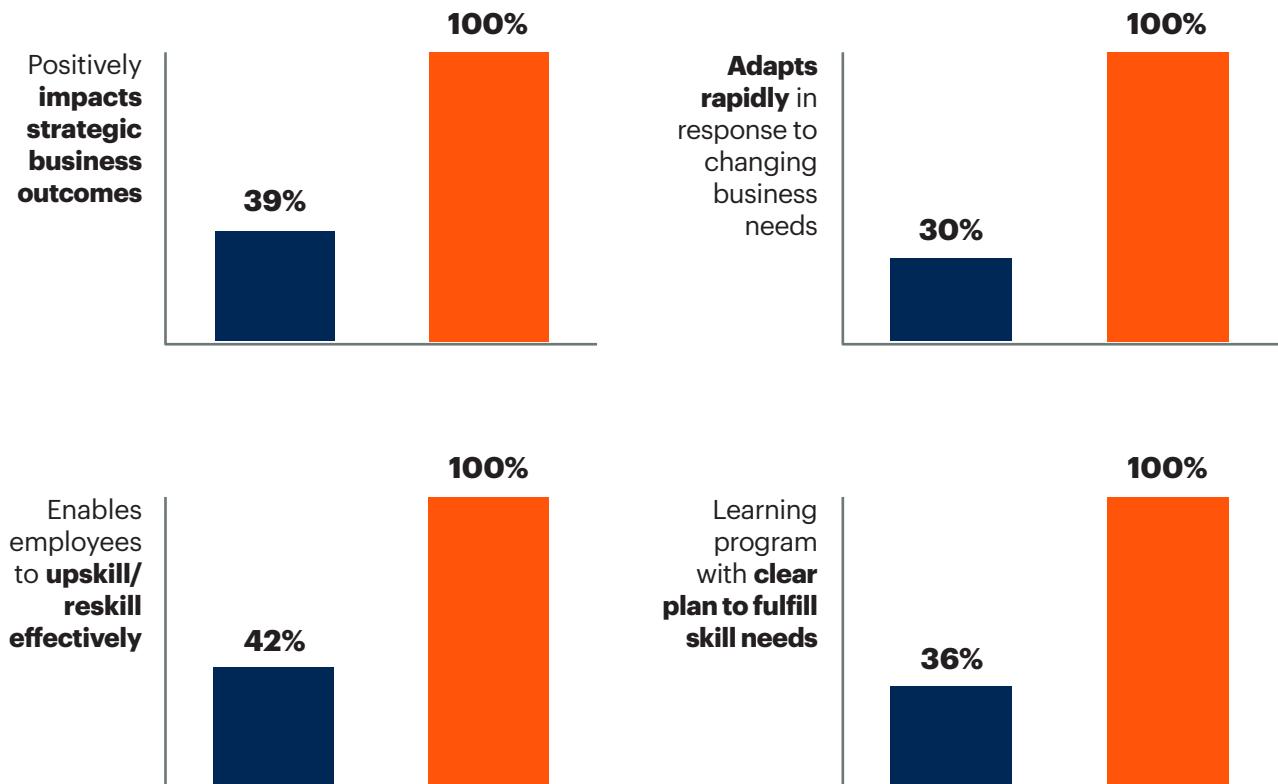
Agile learning enterprises are **nearly three times more likely to have effective employee skill growth** with a positive impact on strategic business outcomes.

**4X**

Their business leaders are **more than four times more likely to report being “very satisfied” with training and learning** (54% compared with just 13% at others). **The overall satisfaction rate is 98%.**

This elite group of learning and development programs meets all four of these criteria of success:

### Extent to Which Organizations Achieve the Training and Learning Outcomes



n = 84 agile learning; 222 others.

Q: To what extent does training and learning in your organization achieve each of the following outcomes? Rating scale (% scoring 6 and above on a 7 point scale).

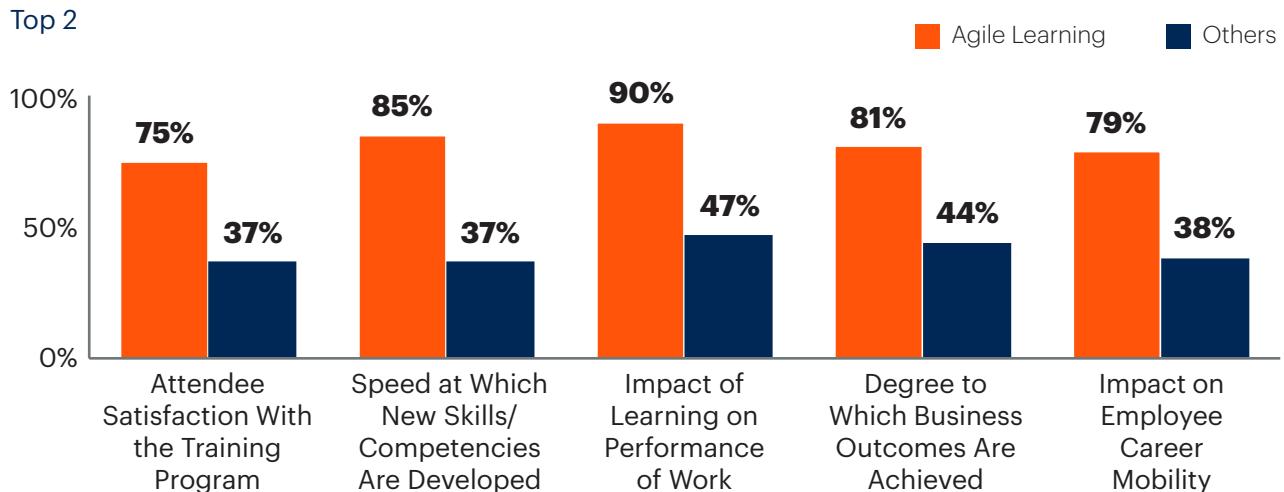
Source: Gartner Agile Learning



## Connecting the Learning and Earning Curves

Agile learning enterprises are also better at measuring the effectiveness of their development programs.

### Effectiveness of Metrics



n = 306

Q. In your opinion how effective are these metrics at assessing the effectiveness of your training and learning initiatives?

Source: Gartner Agile Learning

And since they can track what works and demonstrate impact, they are more than two times more likely to successfully make the case for a significant increase in learning investments. 89% of agile learning organizations expect their training and learning budget to increase by FY23.

### What All Executives Can Do Differently to Embrace Agile Learning

The following drivers of success contribute the most to agile learning enterprises achieving their training and learning outcomes. Take these actions at your organization to benefit from the multiplier impact of each one:

<b>9.9x Make learning a continuous activity that is part of the everyday workstream.</b>	
7.2x	Give everyone the time needed to learn, with leadership support.
4.3x	Promote a culture of social learning so employees can learn from and with each other.
3.3x	Harness technology to guide and accelerate learning outcomes
3.1x	Measure speed of new skills development.
2.9x	Measure impact of learning on performance of work.

Source: Gartner Agile Learning

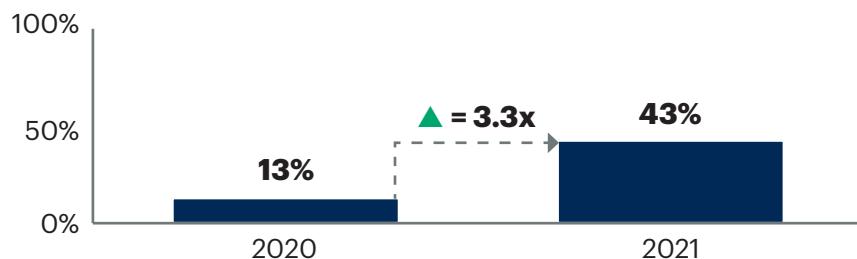


## As Climate Change Risk Grows, Supply Chain Spends on Sustainability

Almost half (43%) of internal audit leaders believe climate change will pose a “very important” risk to their company in 2021 — up from 13% last year.

### Growth in Climate Change Risk Importance

Percentage of Audit Leaders Rating Risk as “Very Important” to Provide Assurance Over



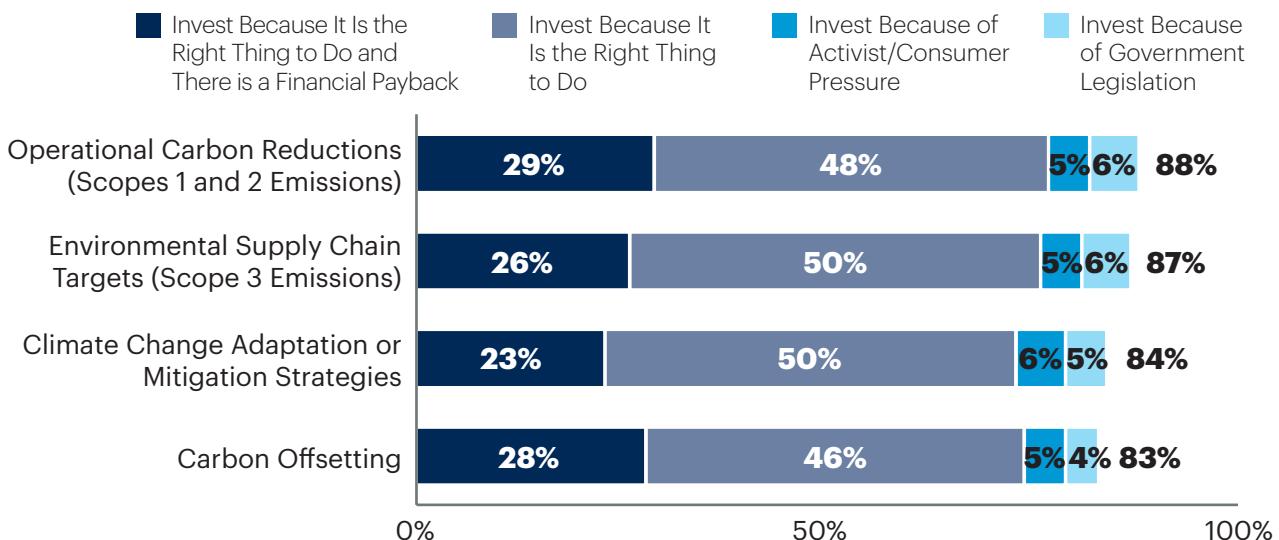
n = 83

Source: 2021 Gartner Audit Key Priorities and Risks Survey

Over the next 18 months, most supply chain executives plan initiatives to cut greenhouse gas emissions and waste, source responsibly and boost water efficiency.

### Companies Are Investing in Sustainability in the Next 18 Months

Percentage of Respondents



n = 1,217

Q: For each of the following sustainability activities, please select which approach your company will take in the next 18 months.

Source: 2020 Gartner Future of Supply Chain Survey

Note: Percentages do not add up to 100% because the remaining respondents said they were not investing in sustainability in the next 18 months.

# Prepare for a Hybrid Future of Work

Think a hybrid workforce model is not sustainable? Think again.

Many C-suite executives have been surprised by how successful remote work has been during the pandemic. Yet many question the long-term value of a hybrid workforce model.

Our research shows the power of the hybrid workforce, dispelling myths such as:

-  Our existing remote work strategy can work for a hybrid workforce.
-  We need in-person contact to sustain our culture.
-  Our jobs just can't be done remotely.

Learn how to build a more adaptable and resilient organization in a rapidly changing environment.

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# To Improve Customer Experience, Improve the Customer-Facing Employee Experience

by Richard DeLisi and Geoffrey Campen

Regardless of industry, business model or company size, the strategy of virtually every C-suite includes two critical components: increasing employee productivity and increasing customer loyalty.

The first is about getting employees to do more (and over time, do more with less) and stick around so you don't have to get replacements up to speed. This creates value through increased operational efficiency and reduced costs of attrition — essentially an expense-side play. The second is about getting customers to buy more, maybe even pay a premium and come back repeatedly, perhaps for life, without defecting to a competitor — creating top-line growth.

You hear the echoes of each one, independently, on just about every earnings call, with good reason: When companies successfully pull both of these levers at the same time, they unlock the rarest benefit, efficient growth. That's the holy grail.

For the longest time, these two aims seemed distinct, and even at odds with one another. For example, it might be possible to improve efficiency by standardizing the products, services or policies that govern employee

interactions with customers, but those steps may diminish the kind of personalization or localization customers truly value. On the other hand, increasing customer loyalty might require employees and teams to go above and beyond in ways that strain the sustainability of business models and burn out talent.

As it turns out, though, there is a way to change the calculus completely. At some level, both goals are about "getting people to stay." This commonality plays out at the most sustainably customer-centric companies: Reducing customer effort is a well-proven pathway to increasing customer loyalty.<sup>1</sup>

In fact, unpacking management techniques at the companies that are best at easing customer interactions led to a discovery: Leaders act differently at these enterprises than at others. And the way they act differently is by applying many of the same principles to employees that they apply to customers.

Instead of striving to become more customer-centric, it is just as important (and in many ways easier) for companies to become more customer-facing-employee-centric. Rather than exhorting your employees to work harder, faster and longer to serve the customer — thereby pitting two critical objectives against one another — consider a new goal:

**Your job as a leader should be to make it easier for your company's customer-facing employees, which makes things easier for your customers.**

All business leaders, not just those who head frontline teams, should share this objective. Every corporate function — whether that's IT, supply chain, finance or legal — influences the level of difficulty faced by those serving the people who buy what you sell.

More than 1,500 employees at a wide range of companies participated in our study of their personal experiences. Survey respondents included people whose jobs involve customer

contact and those who engage in activities that directly affect the customer experience.

Analysis of their answers revealed a straight line between “how your employees feel about the way they're being managed” and “how your customers feel about wanting to continue doing business with you” (see Figure 1).

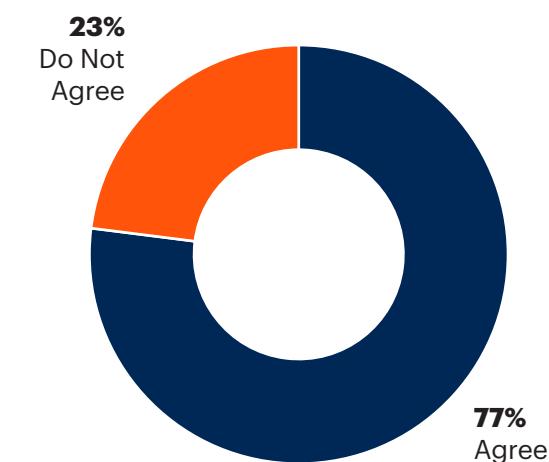
Yet nearly six in 10 (57%) of customer-facing employees say they do not feel “set up to succeed” in their customer interactions. This should be alarming to every executive.

To maintain loyalty, customer experience is critical. And 87% of companies say they expect to compete on the basis of CX in 2021. But if more than half of the people creating that experience (particularly in live customer interactions) do not feel well-positioned, then what possible chance does the company have of winning a CX-based contest against rivals?

### **Two Kinds of Effort**

When discussing “employee effort,” it is important to distinguish between two categories: the type employees are paid for and the type employees describe as unnecessary (see Figure 2).

**Figure 1. Employees See the Connection Every Day**



Source: 2018 Gartner Employee Experience — Customer Experience Survey

Note: Please rate your agreement with the following statement: There is a strong relationship between employees' daily experience and the quality of CX.

**Figure 2. Not Just Effort, but “Unnecessary Effort”**

Positive Effort	Unnecessary Effort
Anything employees do to...	Anything employees do on a regular basis that feels (to them)...
Serve a customer	Repetitive
Make others' jobs easier	Overly complex
Solve a customer problem	Unnecessary

...in ways that affect their ability to create a great experience for customers

Source: Gartner

## We Have Met The Enemy, And It Is Us

It is clear to employees their company is making it harder for them to make things easier for customers. Sixty-six percent of customer-facing employees agree/strongly agree with the statement, “The easier it is to do my job, the easier it is to provide customers with a good experience.” But nearly the same percent (64%) agree/strongly agree that “Unnecessary effort caused by their company prevents them from delivering a higher-quality customer experience.” Irony alert: Despite management’s more or less constant focus on employee productivity and customer-centricity, too many companies are making too little progress on either one.

We asked: “What is one thing your company has recently done that makes it a little easier to do your job?” The responses, captured in a word cloud, speak for themselves (see Figure 3).

## What Can Leaders Do to Enable Employees to Create a Superior Customer Experience?

Our qualitative research included interviews with dozens of individuals whose employers rank in the top quartile for creating an excellent customer experience (as measured by their Customer Effort Score).<sup>2</sup> A single trait emerged as staff members described how their leaders were different than managers they had worked with at other companies. These leaders exhibited a disproportionate respect for, and interest in, employees who interact with customers every day. That is to say, they expressed a sense that “those of you on the front line know way more about what’s happening with our customers than those of us who work in executive or corporate roles.”

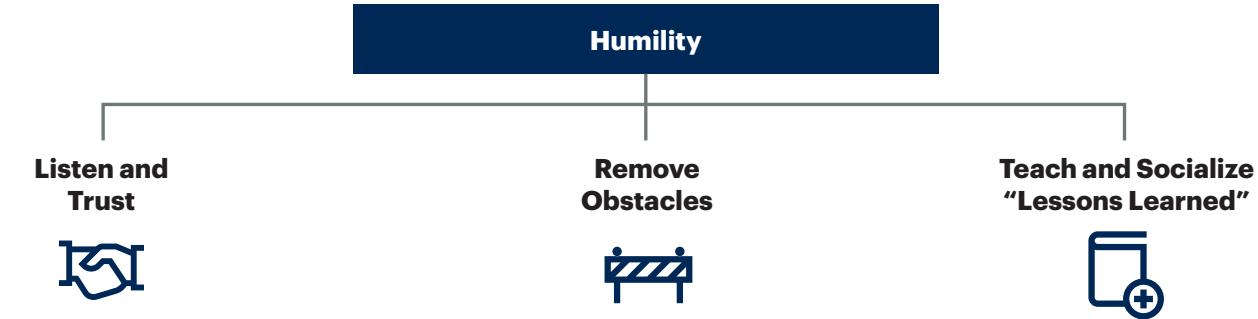
Management *humility* takes three forms — each should take on more importance in any leader’s playbook (see Figure 4).

**Figure 3. What Are Companies Doing About It?**



Source: 2020 Gartner Employee Experience — Customer Experience Survey

**Figure 4. The Pathway to Reducing Employee Effort**



Source: Gartner

### **What Does Leadership Humility Look Like in Action?**

#### **Listen and Trust**

Leading CX companies enable more active dialogue between leaders and customer-facing customer-influencing employees at all levels. These conversations go beyond what customer needs are being observed. During formal and informal discussions with employees, leaders should probe: “What can we do as leaders to make it easier for you to succeed in your customer interactions?”

This is the precise question asked by Bill Clayton, vice president of customer care and retention at U.S.-based NRG Energy, where his optional “Breakfast With Bill” sessions are legendary. The give-and-take is rooted in his belief that it is his job to promote the front line’s ability to help “us leaders see the kinds of things that only they can see, based on their proximity to our customers on an everyday basis.”

To learn more from your employees about sources of unnecessary employee effort within various work environments, simply ask: “What’s stopping you?” The very act of seeking their input can create positive momentum.

#### **Remove Obstacles**

Two steps help companies focus their employee listening efforts on how to make customer-impacting employees more successful: make submitting suggestions part of the daily routine, then make it worthwhile to have done so.

A creative workflow at Northwestern Mutual, headquartered in the U.S., changes the nature

of “making a suggestion to management” or “escalating a problem” from a task that requires consideration and effort into a simple and commonplace action. Frontline associates have access rights on their computers to what they call, “The Easy Button.” According to Jim LeMere, vice president, client services, “When our team members click this special key, an online form immediately opens; they can use it to communicate directly with others. Once submitted, the document heads straight to a readiness team with the sole goal of removing pain points experienced by employees in their interactions with customers.” All managers see all recommendations, and senior leaders are encouraged to reach out to employees to learn more.

Don’t neglect follow-through. Another activity at top-quartile CX companies is “closed-loop feedback.” You don’t need to implement every idea offered by employees, but it’s critical that leaders continually demonstrate their commitment to removing obstacles by sharing more information about the status of various improvements already in process. Give credit. If you are demonstrably grateful for the employee comments you’re receiving, if you make it clear you wouldn’t have moved forward without the input, you’re more likely to keep the flow coming.

#### **Teach and Socialize**

Companies that create an outstanding customer experience execute an “empowerment” strategy with one additional refinement that would be easy to implement anywhere — the socialization of “lesson stories” from employees and leaders.

### *Employee Lessons*

Be on the lookout for those who have found ways to handle common high-effort situations with a tip or trick. For instance, the top-ranking source of employee effort at many companies is “dealing with various data systems.” Most leaders are quick to agree. But fixing challenges related to labor-intensive situations often takes months or years and likely requires major capital expenditures. However, there are always a few who have figured out how to navigate the clunkiest systems. Spot those people and make sure they share their workarounds widely.

Employees are more likely to adopt new behaviors if they are generated from “someone like me,” rather than a training manual update.

### *Leader Lessons*

Instead of telling employees what to do, leaders should be open about what they’ve been learning. Some companies create regular opportunities for leaders to discuss something they came to understand, thanks to the feedback they received along the way. Leaders can then communicate how they fixed what wasn’t working or a strategy that needed correcting. They tell these stories in town halls, recorded video clips or other internal communications channels. Narratives of this type can send a powerful and empathetic message to employees at all levels that “as we learn more from each other, we position ourselves for continuous improvement and success.”

### **Spread the EX = CX Philosophy Throughout the Enterprise**

Leaders aren’t the only ones who can benefit from recognizing that the route to understanding customers runs through the front line. When the video game company Electronic Arts, headquartered in the U.S., wanted to inspire the whole organization to consider its players’ needs, teams of producers, marketers and development executives were sent to learn from the company’s customer service representatives. During a half-day training session known as “hero academy,” functional employees started with an overview of CX operations. They then sat in on calls. Next, they engaged in facilitated discussions about their take-aways. More than 1,800 employees from 18 global offices passed through the hero academy in its first two years.

Observing interactions was deeply formative for participants. “I came away very proud of the people we have” on the customer experience staff “and their commitment to our players,” one executive said.

As hoped, empathy for frontline colleagues led to empathy for consumers of EA’s products. One participant realized that when operating under time constraints on a particular project, he was the person responsible for making a decision that resulted in a negative call to the service center. Revelations like that have led to plans to develop higher-quality customer experience training, team discussions about how to make better “player first” decisions when resources are limited and budget adjustments that enable more emphasis on the customer.

<sup>1</sup> M. Dixon, N. Toman and R. DeLisi, “The Effortless Experience: Conquering the New Battleground for Customer Loyalty,” Portfolio, 2013.

<sup>2</sup> The Customer Effort Score (CES) is a customer experience metric that measures customers’ perception of how easy it is to handle interactions with the company. The official wording for a survey question measuring CES is, “To what extent do you agree or disagree with the following statement: [The company] made it easy for me to handle my [issue].” Gartner recommends using a seven-point Likert scale, with values ranging from Strongly Disagree (1) to Strongly Agree (7). CES is calculated as the percentage of respondents registering some measure of agreement (e.g., answering with a 5, 6 or 7 on a seven-point scale).

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Join the Gartner community of business leaders to participate in polls, short surveys and discussions on mission-critical topics and industry developments. Explore the latest research findings from Gartner experts across numerous disciplines, including:

- CIOs & IT Leaders
- CFOs & Finance Leaders
- Tech Provider CEOs & Product Leaders
- Customer Service & Support Leaders

## Some recent findings:

**73%** of CIOs engage in physical exercise to develop self-awareness.

**65%** of CFOs agree there is alignment between their budget holders' spending decisions and the company's value creation strategy.

**61%** of tech CEOs of small or midsize businesses say ecosystem awareness has resulted in new customer interactions, sales and distribution channels.

**44%** of customer service & support organizations are using a messaging system integrated to the agent desktop to enable knowledge sharing across reps and teams who work from home.

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# A New Employment Deal That Fuels Higher-Performing Organizations

by Brian Kropp and Jonah Shepp

Over the past 70 years, periods of disruption have led to adjustments in the employment deal — that is, the fundamental bargain of what value employees provide for an organization and what the organization offers in return. Negotiating the employment deal has usually been competitive: During periods of economic expansion, employees would take advantage of tight labor market conditions to extract concessions from employers, who would later pare back on benefits as the business cycle turned.

To put it mildly, 2020 was a tumultuous year, and once again, the upheaval is reshaping the employer-employee relationship — this time, on a much larger scale than the push and pull of decades past. The model forged in the late 20th century is coming under fundamental stress, challenging organizations to radically rethink their relationship with the people who work for them.

As the pandemic escalated, business leaders went out of their way to hold onto their employees, with tactics such as reassignments, shorter hours or pay cuts. Some, who had no choice but to downsize, tried to help employees find alternate work, pledging to rehire them when and if conditions improved.

Several factors drove these employee-focused decisions. First, talent is a bigger generator of business value than ever, so leaders recognized what it would cost them to lose people with institutional knowledge and have to find new people to hire after the pandemic.<sup>1</sup> Second,

organizations did not want to risk being perceived as uncaring employers during a global emergency. And the COVID-19 crisis changed how managers and executives view their teams in a new and significant way. The mass move toward public lockdowns and working from home meant that leaders peered — literally — on a regular basis into employees' homes and personal lives.

In the process, the employment deal got an overhaul. As it turns out, the humanized covenant that emerged benefits both employees and their employers. This new pact consists of three elements: radical flexibility, shared purpose and building deeper connections to family and community. Some organizations were already experimenting with these changes before the pandemic, but the crisis accelerated their adoption. Embracing these principles can increase the number of high performers in your workforce by one-third, while also improving your ability to attract and retain talent.<sup>2</sup>

A new employment deal is not just an HR project; the entire organization needs to get involved. Finance and IT will, of course, be important partners. With more employees working from home, general counsel will need to help tackle new liability, privacy and data security issues. Flexible work influences cybersecurity, location strategy, real-estate decisions, and compensation and benefits. Making progress on social issues important to your staff can draw in marketing and procurement. Communications and PR will play roles in community outreach.

The bottom-line implications of these improvements are potentially massive. Gartner's Turnover Cost Calculator shows that for a typical, large organization, a one percentage point reduction in annual attrition can reduce costs by over \$5.4 million a year.<sup>3</sup> The monetary value of employee performance is harder to measure precisely, but we have yet to meet a business leader who would prefer not to have more high performers in their organization.

### **The Three Dimensions of the New Deal**

#### **Radical Flexibility**

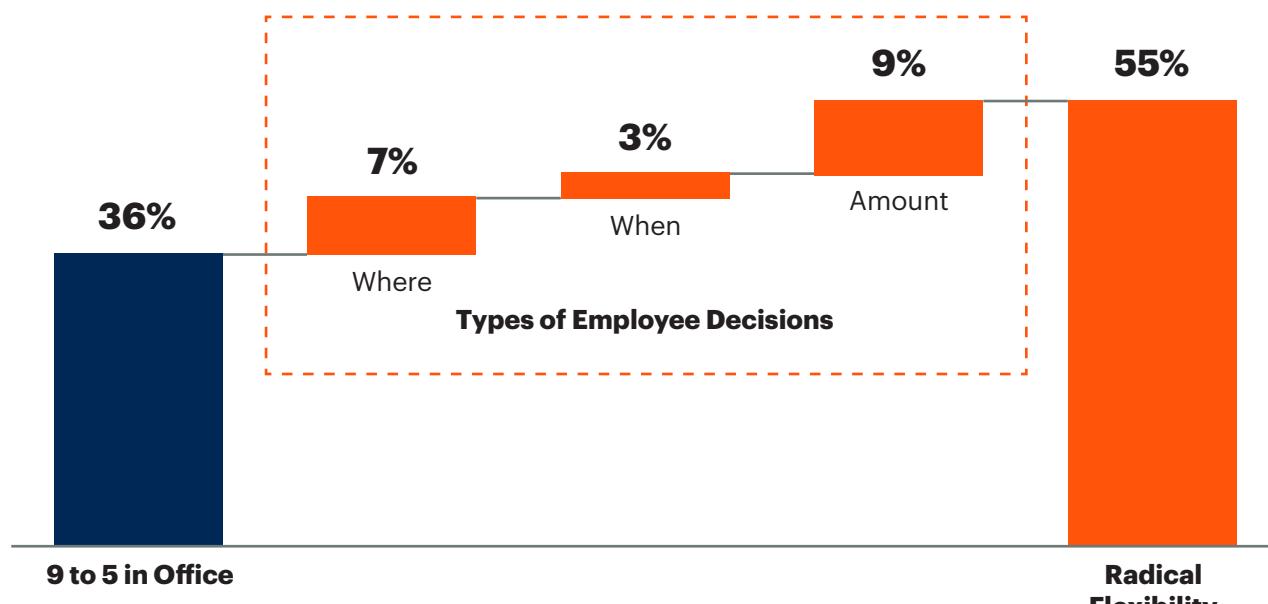
Radical flexibility means giving employees control over when, where and how much they

work. As the novel coronavirus spread, 83% of organizations experimented with where work was done and 62% experimented with when work was done. Also, 43% offered employees flexibility in terms of how much work they did, such as giving them the option to work four-day weeks at 80% pay as a way to cut costs without layoffs.<sup>4</sup>

Some changes will be permanent: In a December 2020 survey, 90% of HR leaders said they expected the remote work arrangements their organizations adopted during the pandemic to remain in place afterward, and 65% said they expected to continue offering flexibility on when employees work.<sup>5</sup>

Before they were forced to try it, business leaders often doubted their employees would remain productive while working from home, but each lever of flexibility — where, what and how much to work — increases the number of high performers (see Figure 1). At a typical organization, with traditional nine-to-five jobs in an office, about 36% of employees, on average, are considered high performers. At organizations that offer radical flexibility — a choice in all three areas — high performers typically constitute around 55% of the workforce. That's a huge boost.<sup>2</sup>

**Figure 1. Percentage of High Performers Based on Flexibility**



n = 5,000

Source: 2020 Gartner ReimagineHR Employee Surveys

We've seen many examples of organizations innovating in radical flexibility. Twitter announced that its employees would be allowed to work from home "forever," if they want.<sup>6</sup> Siemens established a hybrid work model, allowing remote work two to three days a week as a permanent standard for 140,000 employees in 43 countries.<sup>7</sup> Many other organizations shifted to a four-day work week without losing productivity and even without reducing pay.<sup>8</sup> Those adopting four-day weeks are mostly startups, small companies and local governments, but larger organizations are beginning to experiment with it. Unilever, for example, is piloting a four-day week at its offices in New Zealand, where the prime minister has promoted the idea to employers throughout the country.<sup>9,10</sup>

### Shared Purpose

Partly in response to demand from employees for greater social engagement, businesses have been rethinking the conventional reluctance to take stands on public controversies. Three out of four employees expect their employer to take a stance on social or cultural issues, even if those issues are unrelated to their business.<sup>2</sup>

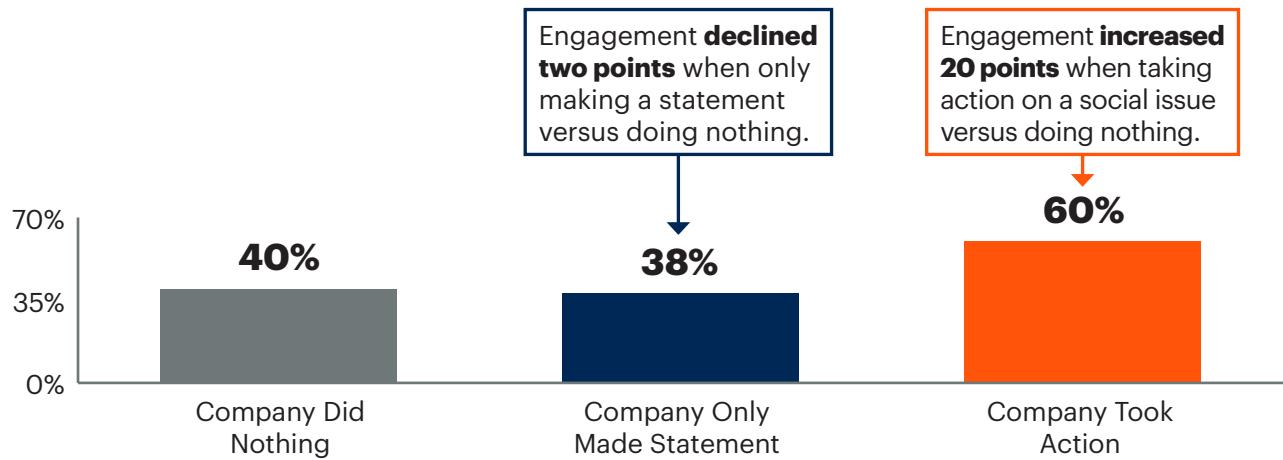
In 2020, these trends came to a head with the wave of protests in response to the killings of George Floyd, Breonna Taylor and other Black Americans by police. Suddenly, social

media were awash in public statements from companies spurred by internal activism from their own employees. Silence was not seen as a viable option. But what these organizations soon discovered was that speaking out, on its own, was as bad as, if not worse than, saying nothing at all.

Employees at these organizations actually became more disengaged: Those who disagreed with the decision to make a statement were upset, but at the same time, those who were passionate about the issue were disappointed when their employer did not backup its words with actions. The only way to generate employee engagement through social purpose is to devote real resources to the issues employees care about (see Figure 2).

The most effective, socially engaged organizations are co-creating these strategies with employees, being transparent about what investments they make and planning dynamically, monitoring and adjusting these investments over time. Intel's network of local employees who volunteer on top of their "day jobs" is integral to the company's outreach to diverse suppliers in 24 countries. Unilever prioritizes gender equality internally and through external initiatives, such as anti-bias marketing campaigns, a partnership with UN Women to promote safety and empowerment of women working in the tea supply chain and a global task force on paternity leave.<sup>11,12</sup>

**Figure 2. Impact of Company Action on Employee Engagement**  
Percentage of Highly Engaged Employees



## Deeper Connections

The third dimension of the new deal responds to the blurring line between employees' lives in and outside of their jobs. There was a time when employers cared about the "work" person, and that was it. Later, the concept of work-life balance appeared — followed by work-life integration, which looks for ways to make the "life" part of employees' experience better, motivated by the prospect of the "work" part improving too.

It's time to dispense with all that. Work and life are not two separate things. An employee has a life, and work is part of that life. This changes the way employers should think about supporting the totality: the personal lives, family lives and community lives of their talent.

Here are some ways organizations have been offering holistic support in all three areas of life:

- **Personal** — Giving employees wearable devices to help them track and improve their sleep, expanding access to mental health services
- **Family** — Extending learning and development resources to employees' friends and family members whose careers have been affected by the pandemic, offering online programs to help employees' children succeed academically while their normal school educations are disrupted

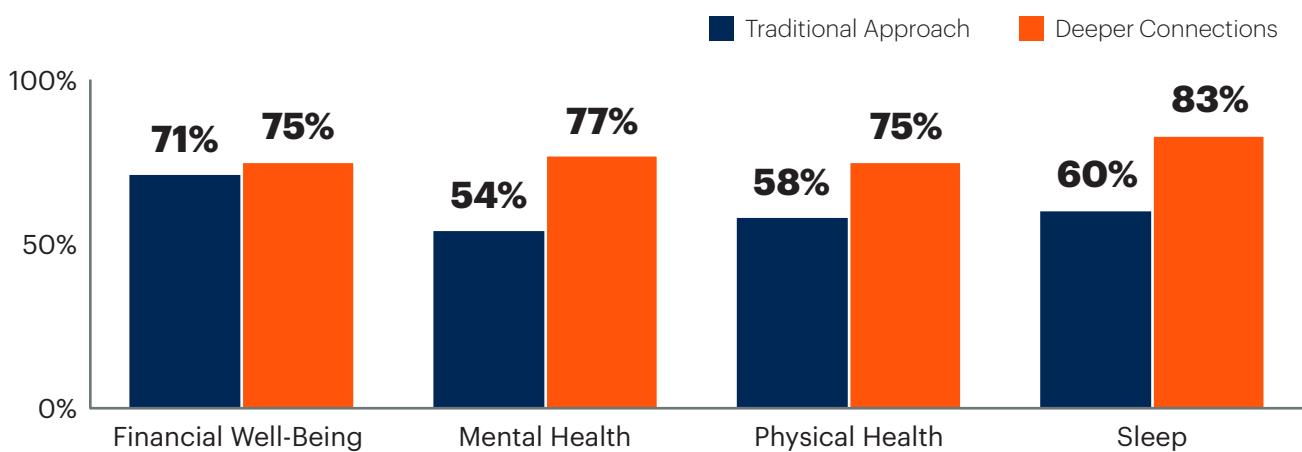
- **Community** — Opening empty offices to local schools that need more space for social distancing, establishing healthcare facilities for employees and the community, supplying masks and other personal protective equipment to neighborhoods

When employers take a comprehensive approach to improving employees' lives, they see remarkably better outcomes: physical and mental health, financial well-being and even how well they sleep (see Figure 3). For organizations, this translates into a 21-point increase in the percentage of high performers and an 18-point increase in employee Net Promoter Scores.<sup>2</sup> The upshot is a healthier and more productive workforce, with employees who are more likely to stay with the organization for the long haul and recommend it to their network as an employer of choice.

## People-First Analytics Are the Key to Success

Nearly eight in 10 (78%) of corporate directors we surveyed ranked analytics among the top three game-changing technologies to emerge stronger from the COVID-19 crisis in their industries.<sup>13</sup> Talent analytics will certainly be part of that transformation, and cross-functional collaboration will be essential in getting this right.

**Figure 3. Impact of Traditional Approach Versus Deeper Connections on Employee Well-Being**  
Percentage of Employees Reporting Employers Have A Positive Impact on Various Aspects of Their Lives



n = 5,000

Source: 2020 Gartner ReimagineHR Employee Surveys

Instead of just trying to understand your workforce as a whole, you need to be more granular and understand your employees as individuals. This means taking a step beyond monitoring performance; build productivity profiles for your employees to understand when, where and how they work best — and share that information with them to help them progress in their careers. Instead of asking employees what they care about and making a philanthropic investment, track the investment's performance, share the data with employees and engage in a continuous conversation with them about how to do better. Redesign rewards so employees can access customized benefits that meet their individual needs.

Organizations today have access to more employee data than ever. To compete in the talent market of the 2020s, they must use that data ethically and strategically to redesign the employment deal and generate win-wins for themselves and their employees.

<sup>1</sup> [Talent is America's Most Precious Resource — It's Time Economic Development Organizations Focus More on Developing It](#), Brookings Institution.

<sup>2</sup> 2020 Gartner ReimagineHR Employee Surveys

<sup>3</sup> Modeled using the Gartner Turnover Cost Calculator, which provides estimates for the costs of turnover based on specific organizational inputs, direct turnover costs and indirect productivity impacts of employee attrition. The figure calculated here assumes an organization of 10,000 employees, with an average annual salary of \$50,000 and other assumptions based on benchmarking data.

<sup>4</sup> 2020 Gartner ReimagineHR HR Leader Survey

<sup>5</sup> [Gartner HR Lessons From COVID-19 Webinar Poll](#) (9 December 2020)

<sup>6</sup> [Twitter Will Allow Employees to Work at Home Forever](#), BuzzFeed News.

<sup>7</sup> [Siemens to Establish Mobile Working As Core Component of the 'New Normal'](#), Siemens.

<sup>8</sup> [Surprising COVID-19 Side Effect: More Companies Adopt the 4-Day Workweek](#), Fast Company.

<sup>9</sup> [Unilever to Try Out Four-Day Working Week in New Zealand](#), Reuters.

<sup>10</sup> [Jacinda Ardern Flags Four-Day Working Week as Way to Rebuild New Zealand After COVID-19](#), The Guardian.

<sup>11</sup> [Unilever and UN Women Announce a Global Partnership to Improve Women's Safety in the Tea Industry](#), UN Women.

<sup>12</sup> [Why Championing Paternity Leave Empowers Men, Women and Business](#), Unilever.

<sup>13</sup> 2021 Gartner View From the Board of Directors Survey.

# Given Leeway, Employees Do More Than a Week's Work in 32 Hours: A Q&A With Perpetual Guardian's Andrew Barnes

by Scott Engler



**Andrew Barnes**

Andrew Barnes is a director of Complectus Limited, encompassing Perpetual Guardian and other trustee businesses. He formed Perpetual Guardian from Perpetual Trust and Guardian Trust and instituted 80% hours for 100% pay in 2018. The results led him to champion such flexibility elsewhere. Microsoft tried a pilot in Japan in 2019; Unilever announced in December 2020 a yearlong trial in New Zealand.

In the following conversation, Barnes explains the rules and process for a policy change that centers on productivity — though the primary incentive is time, not money. The transcript has been edited for brevity and clarity.

## **What did you find overall in your organization when you made the switch?**

We had the 100-80-100 rule: 100% pay, 80% of the time, provided we had 100% productivity. What we actually found is productivity went up about 125%. Now, that's not just our experience. Microsoft in Japan saw a 39.9% improvement in productivity once they implemented a four-day week.<sup>1</sup>

## **We're talking about an outcome-based approach.**

I reckon if you walk into most companies and say, "Tell me what your productivity is," they would say, "We have absolutely no idea." They use time as a surrogate. Why is that relevant? All I want to know is that my customer service is going to be maintained, and I'm going to get the same level of output. That's what I'm paying for. I'm not paying for the person to warm the chair.

**A lot of companies are making decisions to create, especially in this environment, really fungible hours. People say: “I’m taking care of kids now from 1 to 4 p.m. Then I start working at 5 p.m. again, and I work from 5 to 8 p.m. some nights. Then I get up in the morning and I work from 5 to 8 a.m. Then I have to go take care of the kids for an hour.”**

When we talk about the four-day week, what we're really talking about is reduced hours working. In our company, we don't mind if you take a day off or two half days, don't mind if you come in late or go home early. If you can give people the free time that matters to them, they will do everything possible to maintain that working environment. They want to hang on to it.

**This requires a new contract with employees, an implicit contract.**

When I first announced the four-day week to my staff, I got a very nervous reaction. I said, “This is a deal. I'm going to take this seriously if you take it seriously. It's very much an issue of personal responsibility, because if you don't do your bit, then the whole of the organization or your whole team could have to go back to five-day working.” We gave the challenge to our employees and then we broadly got out of the way and said, “You tell us how you're going to do it.”

We ran a two-month trial initially. I had a fairly skeptical board. I got the University of Technology in Auckland and Auckland University Business School to run qualitative and quantitative research alongside the trial. They found our engagement scores — so that's empowerment, enrichment, teamwork, cohesion, enthusiasm — went up 40%. The absolute levels were the highest they had ever seen in New Zealand. We saw stress levels drop about 15%.

Almost universally, everybody said, we're better able to do our job working four days rather than five. We saw massive improvement in the cohesion of the organization. That then stood us in incredibly good stead when we went into COVID lockdowns. It's made the business very, very strong.

Nobody wakes up in the morning and says, “I want to work for a trust company,” unless they need medical help. We are one of the dullest companies you could come across, yet we have people queuing down the street to join the company because we are doing things in different ways and rather more innovative ways.

**How would you have described your culture before the four-day workweek?**

One of the reasons why I think we were able to do this was there was a high degree of trust already between myself and my team, that actually I meant what I said. That this was an idea to try and make things better for everybody, rather than in six months I'll come back and fire 20% of you.

**One of the reasons why I think we were able to do this was there was a high degree of trust already between myself and my team.**

We've been around for 130 years. This is not a new company. We were changing an old, established, traditional business into something that was very modern. Fundamentally you have somebody out of the office all the time, so you have to find a way for your organization to morph, to be flexible. That has really changed the structure within the organization. Far more delegation, far more authority is being pushed down. The strongest proponents of it were some of our younger staff, who said it's fantastic. I actually am given responsibility because my boss is off today, so I have to deal with it.

We've halved our sick days over the last two years. They're getting fitter because they have more time to exercise. That then flows back into, if you're fitter you're generally more alert, etc.

**That was the “aha” in there. This has become a mechanism. You think differently.**

Yes, absolutely. When we did our initial trial, the first thing we did is we sat down our staff and said, “Look, you have a month to prepare for this. Tell us how you should be judged.” That was part of the exercise of working out productivity, but much of it was about to work out what you should stop doing.

The Microsoft trial, I think, had three things: use Microsoft Teams, no meeting with more than five people, no meeting more than half an hour.<sup>2</sup> We have the same thing. No meeting more than half an hour. We have quiet periods, so you can put on your noise-canceling headphones or not be disturbed.

We have people who made the decision that they wouldn't go on the internet. We found internet surfing dropped 35%. We have people put their phones away. We have simple rules that you don't eat your lunch at your desk, because if you do the waft of reheated curry probably is distracting your co-workers. You don't have meetings in those areas, they're held away from the desk.

There's nothing new under the sun here; you're saying to people, "Here is a prize, and the prize is time off." When you make time the scarce resource rather than money, people work very, very quickly to try and find a way to be able to deliver what they need to deliver.

One of our guys down in one of our South Island branches, a guy of my age, takes two afternoons off a week. He walks home, so he's getting himself fit. He then has his granddaughter come around and they do grandfather-granddaughter stuff. Then they have tea together, and she goes home. When he tells the story, he cries.

If you decide that you're going to not pull your weight and your team loses its four-day week, you've got to look my man in the South Island in the eye and tell him that the reason he can't see his granddaughter two afternoons a week is because you couldn't be bothered. It's really, really interesting what happens.

### **It's not just about work, it's about how someone experiences life, what they want out of life and how they can connect that to the corporate good. Then we need to empower them, and they need to own it and drive it.**

It's bang-on. I want you to be the best you can be in the office, the best you can be at home and in your communities. We added a little tweak, partly because of our rather archaic legislation in New Zealand — I have to accrue leave on the 40-odd days a year I gift my staff off. So we said, as a consequence, one day a quarter you have to do a community project one day a quarter. That's part of the compact. Therefore, we're giving 1,000 personal days of volunteering a year now.

We call our policy the productivity policy; we don't call it a work-life balance policy. We're clear. I'm a businessman, right? We pay salaries. We have to service our customers. Boom. Productivity is what it's about. Understand that. Deliver that. And all the benefits flow.

### **What is your mechanism for enforcing accountability?**

Initially, we were a lot more structured. We would look at each individual team's productivity.

We've been doing this for two-and-a-bit years now. Our productivity is up, keeps up. Our revenues are up, keep up. We occasionally will dive down into a group if there's an issue or customer service levels drop. But it's self-perpetuating, basically and the business continues to perform extremely well. In the three months of our lockdown in New Zealand, we had two months of record profit and one month of missed a record by \$57,000 (NZ).

We've been doing this for two-and-a-bit years now. Our productivity is up, keeps up. Our revenues are up, keep up.

### **How big is your organization?**

We have 250 people in the core company. We look after about \$220 billion (NZ) of assets. So, we're reasonably large in the New Zealand context, but not large on a global scale.

### **If I've got a larger company, where would I start?**

Make sure that your culture is such that it can take the message. Announce a trial. Now that doesn't have to be companywide. Start with a division. Learn the lessons. Then roll it out in another unit, or another unit, or another unit. If it works for a unit of 250, it will work for a unit of 250 in your company, so you just keep rolling the structure out.

Keep the core disciplines: productivity, customer service, profitability. Those things are sacrosanct, we understand that. But if your staff aren't capable of doing this, maybe you have the wrong staff. And if your leaders aren't capable of implementing it, maybe you have the wrong leaders.

<sup>1</sup> 4-Day Workweek Boosted Workers' Productivity By 40%, Microsoft Japan Says, NPR.

<sup>2</sup> Challenge to 'Work in a Short Time, Rest Well, Learn Well', Microsoft Japan News Center (in Japanese).

# Onboarding Must Work Better, Especially for Remote Hires

by Delphine Uriburu-Wilder

Onboarding has missed the mark for years when it comes to making new hires feel connected to their organization. Even before the pandemic shifted many to remote work overnight, only 52% of recruiting staff believed the onboarding process effectively integrated new employees into the prevailing culture.<sup>1</sup> At that time, in many ways, this failure was okay. When these

recruits came into the office, they could absorb corporate values and ways of working organically through spontaneous chats by the coffee machine, conversing with neighbors in the “cuberhood” and observing their colleagues in action. Watching beliefs and behaviors play out day after day served as on-the-job training. New hires could embed themselves into the prevailing environment over time.

But organic bonding to corporate culture is much harder in a virtual world where only 40% of employees feel a sense of belonging at their organization.<sup>2</sup> This sobering statistic makes sense, given that half of remote employees say their interactions with co-workers are infrequent and transactional (see Figure 1). Put simply, all employees are struggling to connect. This problem won't resolve itself, with business leaders expecting nearly half of their employees to continue working outside the office at least some of the time after the pandemic subsides.<sup>3</sup>

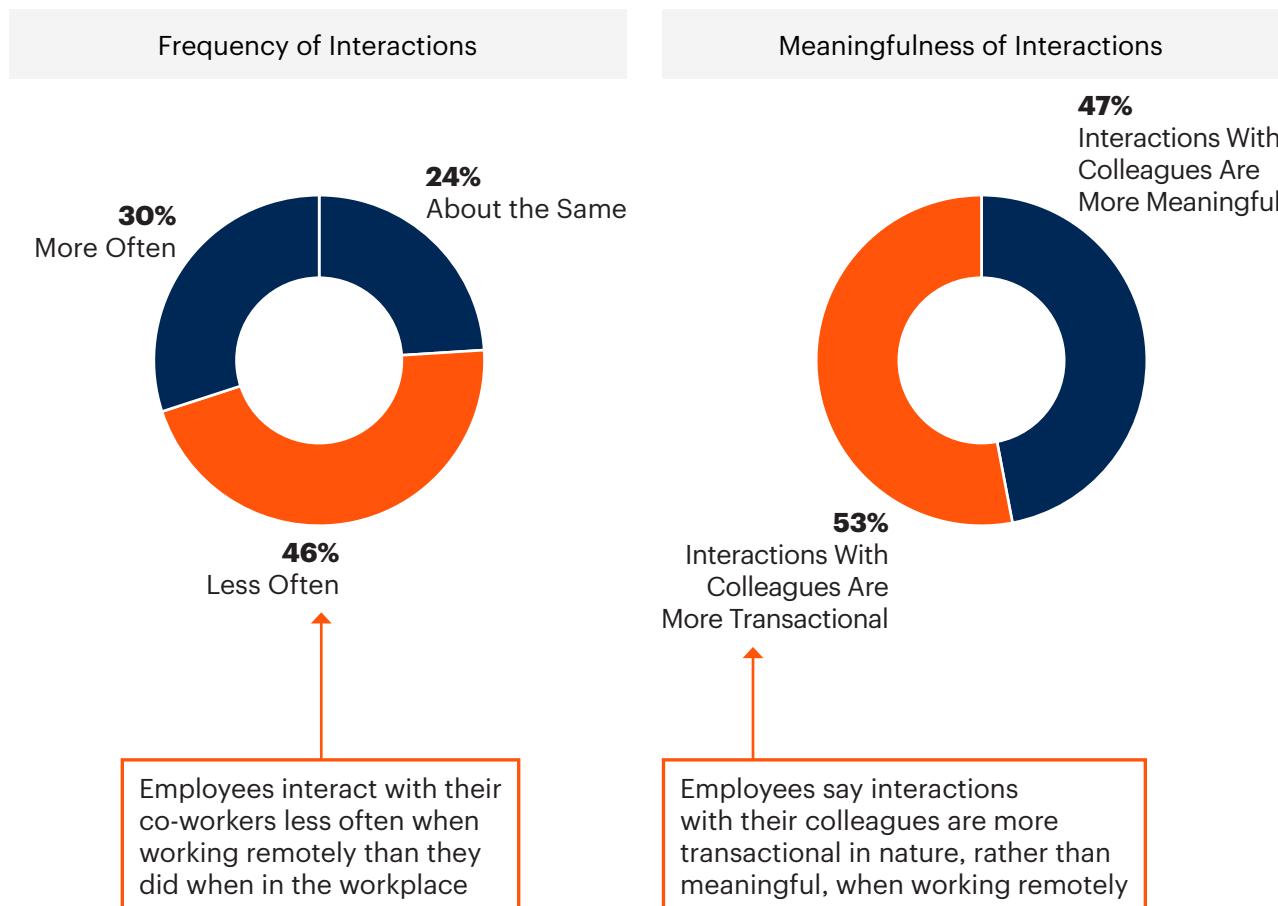
So, what hope do new hires have? The situation is even worse for them; only 32% of employees hired in the past 12 months feel that sense of belonging.<sup>2</sup>

Under these conditions, onboarding's role in linking hires to culture can no longer be neglected. Companies that create strong ties will gain an edge over those that do not. When employees understand and feel part of the organization's culture, workforce performance improves up to 22%.<sup>4</sup>

The best organizations cultivate connection intentionally from Day 1 in onboarding rather than relying on chance. Try these tactics to reinforce basics that have been overlooked, while adapting them for a virtual experience:

- Redesign onboarding to center on connection, not productivity
- Link organizational values to on-the-job decisions
- Support development of a cross-functional network

**Figure 1. Changes to Co-Worker Interactions Since Shifting to Remote Work**



n = 3,129 remote employees

Source: 2020 Gartner Improving Employee Engagement Survey

## **Redesign Onboarding to Center on Connection, Not Productivity**

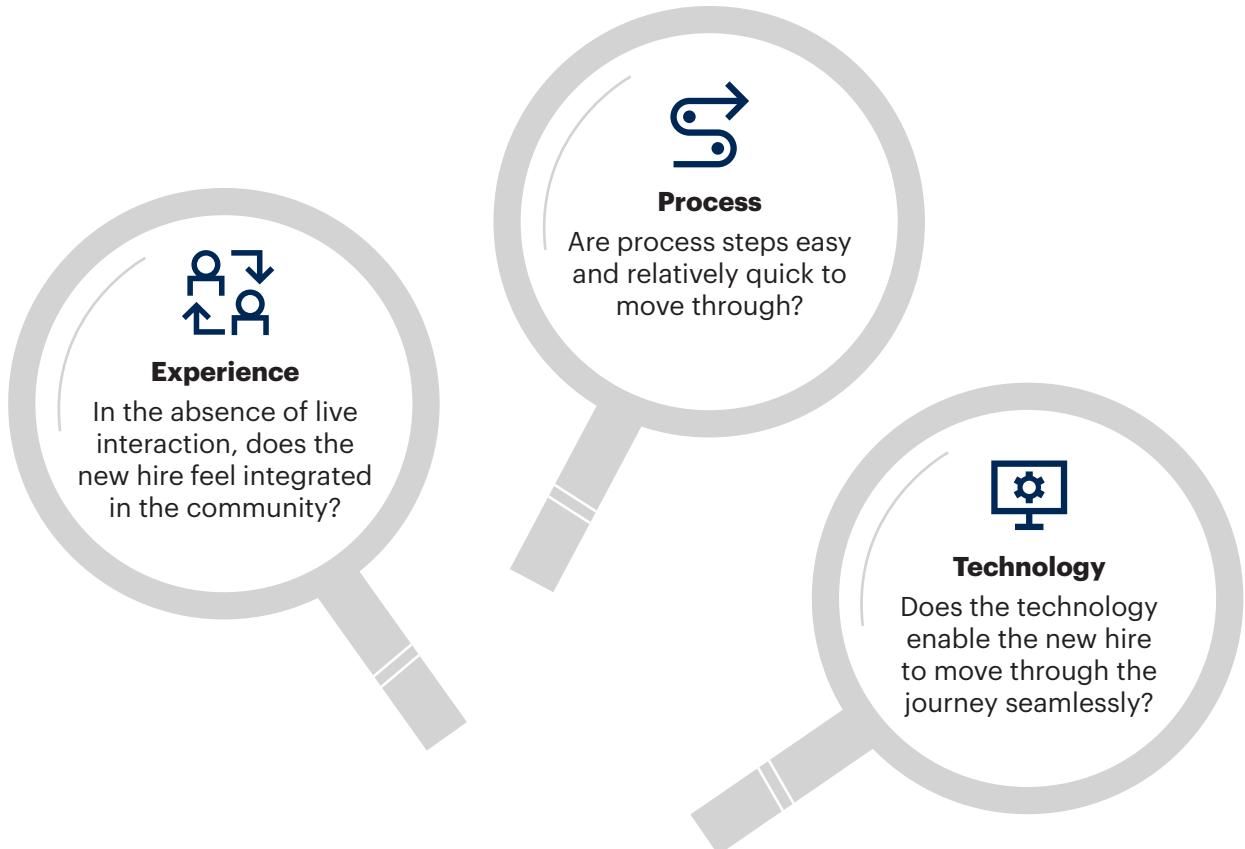
Organizations shifting to virtual onboarding during the pandemic often emphasized driving productivity, not connection, from the start. Live training with peers became prerecorded virtual sessions, Q&A conversations became FAQ pamphlets and IT consultations became “how-to” guides. That’s the wrong way to go about introducing a new employee to your company; the experience can be isolating and overwhelming. The best organizations lead with empathy, building trust with new hires and reaffirming their decision to join the enterprise. While new hires must understand your company, you also need to understand and prioritize their needs.

Instead of merely acknowledging the difficulties of remote onboarding, organizations should rebuild the experience, as IBM did in response

to the pandemic-driven shutdown of workplaces. The HR team there conducts focus groups to understand what new hires might feel, think or do during virtual onboarding.

IBM uses three lenses to flag areas for improvement: an integrated experience, a simplified process and streamlined technology (see Figure 2). These priorities drive engagement, not work readiness, by measuring new-hire sentiment and offering personalized support at important emotional junctures. The company recognized that anxiety is common in advance of virtual onboarding and developed videos featuring recent hires explaining the process in their words. This people-centric redesign led 95% of new hires to report feeling welcomed even if they were moving through their early days virtually, according to IBM HR leaders.

**Figure 2. IBM's Three Lenses to the New-Hire Perspective**



Source: Adapted From IBM

## Link Organizational Values to On-the-Job Decisions

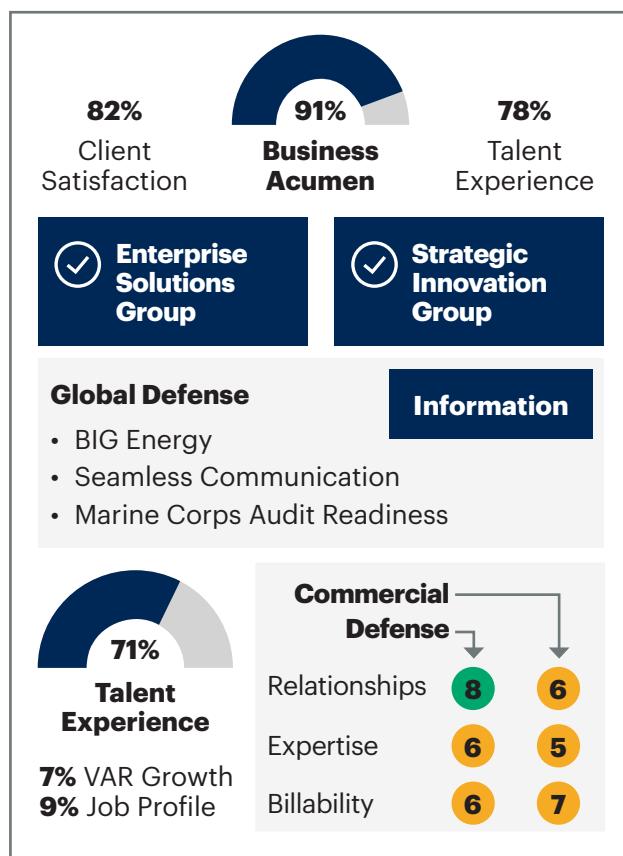
Onboarding programs typically begin with an uplifting speech from a senior leader on the organization's mission and values. While new hires may not internalize the values in the moment, they get excited about what the company stands for and what they are becoming a part of — particularly if the company's purpose and principles mirror their own. From there, organizations rely on reinforcement through corporate messaging and co-workers demonstrating how their values play out in day-to-day work.

But only 26% of employees know how to translate cultural values into what they should do in their day-to-day jobs, and when they do know, 77% of employees encounter cultural tensions that create confusion about the right behaviors.<sup>5</sup> The bottom line: It was already difficult for new

hires to internalize how they should "live" the organization's culture — it's even harder in a virtual setting.

Functional leaders must explicitly demonstrate what the values look like in action and how they translate to behaviors. With a large consulting workforce that often works on-site at other organizations, Booz Allen Hamilton must ensure employees understand, feel connected to and act in line with its organizational values. The company's onboarding starts by helping new hires explore how their own personal philosophy aligns with company values. Next, new hires team up to work through scenarios involving critical business decisions. These scenarios have multiple correct answers and sometimes involve trade-offs between values (see Figure 3). Teams receive feedback on how their decisions aligned with each value. This hands-on experience equips participants to begin living the firm's values from their first day on the job.

**Figure 3. Booz Allen Hamilton's Simulation Feedback Against Value-Based Metrics**



End of Round Feedback: Round 1		
	Round 0	Round 1
Business Success	80	91
Client Satisfaction	75	82
Talent Experience	75	78
Global Defense VAR Growth	3%	7%
Civilian Services VAR Growth	3%	5%
Global Defense Job Profit	5%	9%
Civilian Service Job Profit	5%	6%
Global Defense	Talent Experience	70
	VAR Growth	3% 7%
Civilian Services	Talent Experience	70
	VAR Growth	3% 5%
National Security Group	Talent Experience	70
	VAR Growth	3% 6%

Source: Adapted From Booz Allen Hamilton

## Support Development of a Cross-Functional Network

Positive workplace relationships are one of the most frequently cited drivers of employee retention. When employees feel connected to the people they work with — have good relationships and strong networks — they are more likely to stay at an organization. But building relationships with co-workers is much harder in a virtual environment. Forty-one percent of employees don't feel connected to their colleagues when working remotely.<sup>6</sup>

This problem is significantly more acute for new hires who do not have existing relationships or networks to fall back on. And while 59% of recruiting staff members agree their organization's onboarding process effectively builds a new-hire's network, that leaves a significant number who see a gap.<sup>1</sup>

If you are a manager with a new direct report, consider supplementing the usual teammate support with connections that go beyond day-to-day workstreams and build a cross-functional perspective.

For starters, functional leaders can help by creating visibility into employee profiles throughout the department, building in communication tips and conversation starters. Organizations can extend this concept to all employees — for instance, by adding information on projects, nonwork interests and contact preferences to the employee directory (see Figure 4).

Time Inc. formalized relationship building without borders through “onboarding connectors.” Its HR team paired new hires with a certified peer mentor at the same level but from a different department or business unit.

**Figure 4. Employee Directory as an Accessible Peer Network**

The diagram illustrates an employee directory as an accessible peer network. It features two vertical columns, each representing a profile in an 'HR Practice Phone Book'. The left column is for 'Jane Doe' and the right column is for 'John Doe'. Each profile includes a circular icon, basic contact info, recent project details, top skills, top collaborators, general interests, and a contact message.

Profile	Icon	Name	Email Address	Recent Project	Top Skills	Top Collaborators	General Interests	Contact Me By
Jane Doe		Jane Doe	Email Address	Improving Employee Experience With Talent Analytics	Data Analysis, Project Management	Jason Street, Lisa Smith	Foodie, International Travel, Extreme Outdoor Sports	Please put time directly on my calendar!
John Doe		John Doe	Email Address	Five Tips to Build HR Strategy	Critical Thinking, Oral and Written Communication	Ellen Jones, Greg Martin	Cooking, Yoga, Cubs Baseball	Please put time directly on my calendar.

Source: Gartner

The company found that connectors flex to whatever new hires need, offering a different perspective on organizational culture and building a strong network of support to help them succeed. They can provide guidance on:

- How different teams operate and interact with each other
- How to build positive relationships with multiple stakeholders
- How to resolve conflicts within and outside teams in a virtual setup
- How to interpret the broader organizational culture and make sense of change initiatives
- How to get involved in diversity groups and volunteer events

Connector peer mentors can also help further expand the new employee's network.

Recruiters should provide hiring managers with selection criteria that go beyond proximity or role similarity and include things like:

- Positive attitude
- Strong communication skills
- Knowledge of the organization's history and culture
- Demonstrated commitment to helping others
- Shared interests

And all managers should make sure to educate their own team members on the value of volunteering as a connector buddy: they'll gain coaching skills and visibility throughout the enterprise.

<sup>1</sup> 2020 Gartner Future of the Recruiter Survey

<sup>2</sup> 2Q20 Gartner Global Labor Market Survey

<sup>3</sup> Gartner COVID-19 Crisis Benchmarking Against Your Peers Webinar Poll (n = 421 HR leaders, 2 April 2020), 2020 Gartner Cost Cutting and Employee Experience Survey (n = 4,535 employees), COVID-19: How Finance Leaders Are Responding to the Emerging Situation Webinar Poll (n = 317 finance leaders, 26 March 2020)

<sup>4</sup> 2017 Gartner Culture Benchmarking Survey

<sup>5</sup> 2017 Gartner Culture Workforce Survey

<sup>6</sup> 2019 Gartner ReimagineHR Employee Survey

# Employee Passion Powers Intel's Global Supplier Diversity Program

by Jessica Kranish

If it weren't for Intel's efforts to find diverse suppliers around the world, it might never have come across Rachip, an Israeli company with a dual mission: developing hardware and software with skilled technical employees and establishing career paths for ultra-Orthodox Jewish women that suit their religious values. The company has a track record of delivering high-quality products and enjoying a low turnover rate.<sup>1</sup>

Only 29% of companies have international supplier diversity programs — most limit their outreach to the U.S., where the concept of spending with historically underrepresented vendors originated.<sup>2</sup> Intel's program spans 24 locations from Asia to Latin America (see Figure 1). Mayank Shah, head of Minority Supplier Development U.K., which promotes ethnic-minority-owned businesses, told us he considers the company one of the top five in global supplier diversity. Intel has “invested time and energy to put together a really well-thought-out strategy for global expansion” along with “a clear understanding of local environment and issues,” Shah said. And WEConnect International, a nonprofit the company works with, named Intel a Top Global Champion for Supplier Diversity & Inclusion in 2020.<sup>3</sup>

To do this important work, Intel leveraged procurement staff interest in promoting diversity. The initiative is mainly run by — and couldn't be done without — local employees who work with nongovernmental organizations (NGOs) that identify candidates for the program, offer training to selected suppliers and press business partners to consider these new vendors when making purchases. The people who help run this project do all of this on top of their day jobs. Their sense of shared purpose for spreading an inclusion mindset to new lands helped Intel pay \$279 million to woman-owned businesses outside the U.S. in 2019. That contribution helped the company achieve, a year early, its goal to spend \$1 billion annually with diverse suppliers.

**Figure 1. Map of Intel's Global Supplier Diversity Investments**



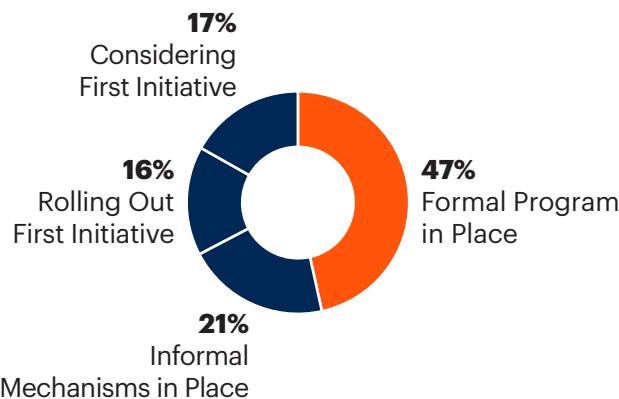
Source: Intel

The volunteers' role is so important that one of the criteria for deciding to run the program in a country/region is whether passionate workers stand ready to help. Other considerations are where Intel spends the most money on procurement (to maximize impact) and where NGOs already advocate for diverse vendors.

The initiative "makes good business sense," Megan Stowe, who leads the company's international supplier program, told us. Supplier diversity introduces extra competition by providing an additional pool of vendors the company wasn't aware of before, Stowe said. She said agility is another benefit that the company has seen. For example, a woman-owned marketing agency in China quickly built an online meeting platform for taking in-person events for Intel virtual when the pandemic struck.

What constitutes "supplier diversity" varies by company and country/region, but could include businesses owned, operated and controlled by women, ethnic minorities, LGBTQ+ people or people with disabilities. More companies are investing in these projects now, with 47% of respondents to our survey of 77 procurement leaders saying they've implemented a formal strategy; the rest said they want to get more involved in this work (see Figure 2).<sup>4</sup>

**Figure 2. Status of Supplier Diversity Programs**



n = 77

Q1a: "Which of the following best reflects the current state of supplier diversity initiatives at your company?"

Source: 2020 Gartner Supplier Diversity Survey

Note: Percentages may not add up to 100% because of rounding. 0% not considered: no plans to implement supplier diversity initiatives; 0% denied: decided not to implement supplier diversity initiatives; 0% discontinued: stopped running supplier diversity initiatives; 17% evaluating: considering our first supplier diversity initiative; 16% approved: in process of rolling out the first of our supplier diversity initiatives; 21% implemented but ad hoc: informal mechanisms to identify, track and encourage the use of diverse suppliers; 47% implemented and established: formal supplier diversity program in place.



**Megan Stowe**

Greater European  
Region Strategic  
Sourcing Director &  
International Supplier  
Diversity Manager, Intel



**Clay Atkins**

Manager, Supplier  
Diversity & Inclusion,  
Intel

### **NGOs On the Ground Power Intel's Country/ Region-Specific Knowledge**

Intel's first step is to consult with NGOs to figure out which groups are underrepresented in any given country/region. Without that knowledge, "you get into all sorts of tricky political situations," Stowe said.

For instance, Intel works with Minority Supplier Development (MSD) China to understand the picture of that country's ethnic minorities, which involves more than 50 different groups. "If we didn't have an NGO, I wouldn't know how to start looking for them," Stowe said.

Intel requires suppliers to certify their minority status through the NGOs. If there isn't an NGO representing a particular minority group in that country/region, Intel doesn't include the minority in its definition of diversity there. That is why Intel's program centers on women-owned businesses, covered by WEConnect International, in some nations.

### **Leads and Champions Use Local Know-How to Help Intel Source More Diversely**

Although Intel's corporate organization determines the overall vision and framework, it's the global network of procurement staff advocates who have the flexibility to take the core message and make country/region-specific adjustments, Clay Atkins, who manages Intel's supplier diversity program, told us.

In each country/region, a lead works with a group of champions who work with procurement colleagues and business partners to "help drive it through the supply chain," Stowe said. "They say, 'Oh, you've got an RFP [request for proposal] coming up, let me go and find you a diverse supplier' or 'We need to add a diverse supplier into the mix.'"

Champions and leads are typically category managers for particular types of goods or services. These volunteers have invaluable knowledge of the local culture, laws and contacts at both Intel and NGOs.

"Everyone has their own story as to why they're doing this work," Atkins said. One lead was startled to learn that just 1% of the money large corporations and governments spend globally goes to women-owned businesses.<sup>5</sup> Another looked back to her childhood in apartheid-era South Africa and knew she wanted to make a difference.

Country/region leads develop their own strategy and goals. Sometimes they find a relevant NGO when the corporate center can't. For instance, the South Korea lead discovered and started working with an organization supporting female entrepreneurs.

The leads hold workshops to teach underrepresented owners of newer, smaller businesses about critical topics like finance and cybersecurity. They also host "meet the buyer" sessions where diverse suppliers can introduce themselves to the champions, and other meetings where the vendors can practice negotiating. "We obviously don't give away all our secrets, but we do give them a high level of how to do it," Stowe said.

These events are having an impact. After attending one, a vendor became certified as a woman-owned business, and as a result, could step in when Intel experienced issues with its existing IT supplier. The company found this vendor to be more flexible and better able to support demand in the region of Europe, the Middle East and Africa.

**Figure 3. Intel Event for Women-Owned Businesses in South Africa**



Source: Intel

Deaneesha Govender, Country Lead for South Africa, Intel; Jean Chawapiwa, Country Director for South Africa, WEConnect International; and suppliers participating in an Intel event for women-owned businesses in South Africa

**Figure 4. Intel Staff at 2019 WEConnect International and MSD China Event**



Source: Intel

Sandra Wu, country lead for China, Intel; Lucy Zhuang, APAC Strategic Sourcing Director, Intel; and Elizabeth Vazquez, CEO, President and Co-Founder, WEConnect International, at 2019 WEConnect International and MSD China event

## How to Win Stakeholder and Supplier Support

This work is only possible with support from both company employees and vendors, but the advocates face two common challenges to gaining support:

1. Poor understanding about why they should participate
2. Difficulty getting them to take action once they do understand

### Overcoming Challenge 1: Educate Participants

- Sometimes, all that's required to help internal stakeholders understand this isn't just a box-ticking exercise is for leads and champions to explain what supplier diversity is, Stowe said. Additional tactics: discussing the benefits Intel has experienced, such as innovation, and recounting supplier success stories.
- Suppliers may resist sharing information or getting certified. In one case, a Japanese supplier was concerned that customers would have negative perceptions of her company if they discovered it was owned by a woman. (Japan ranked 121st in the World Economic Forum's Global Gender Gap Index for 2020.<sup>6</sup>) The relevant country champion explained that NGO certification would give her access to other corporations that might also be interested in doing business.

### Overcoming Challenge 2: Process Changes Spur Action

- Stakeholders were prodded by internal process changes that require each RFP to include at least one diverse vendor.
- Large suppliers faced new terms and conditions requiring a supplier diversity program and a diversity criterion in performance scorecards. Intel hosted webinars setting expectations and explaining its reporting process. The company invited those that needed more help to hear advocacy groups explain how to get started. It's important for vendors to understand that this is a priority for Intel because the company needs their help to get a complete view of its "Tier 2" impact — that is, how much its suppliers (or "Tier 1") pay to their own diverse vendors.

## What's Next: Bigger Goals, Deeper Investment

Intel aims to pay \$2 billion annually to diverse suppliers by 2030 and invest \$250 million per year with Black-owned vendors in the U.S. — a decision prompted by the Black Lives Matter movement and a CEO message about the company's responsibility to address social justice issues and racism.<sup>7</sup>

Spain and Belgium are the latest additions to the diversity effort, but the expansion will slow. Intel plans to "really get depth into the program" where these initiatives already operate, Stowe said. Intel aims to have more impact on diversity where the company already does significant amounts of purchasing rather than move into more places where there isn't a lot of spending to influence.

<sup>1</sup> [About Us](#), Rachip.

<sup>2</sup> [The 2019 State of Supplier Diversity](#), CVM Solutions.

<sup>3</sup> [The 2020 Top Global Champions for SD&I](#), WEConnect International.

<sup>4</sup> 2020 Gartner Supplier Diversity Survey

<sup>5</sup> [WEConnect International Women-Owned Businesses Make Inroads in Mexican Automotive Industry](#), WEConnect International.

<sup>6</sup> [Global Gender Gap Report 2020](#), World Economic Forum.

<sup>7</sup> [Bob Swan Memo: The Sidelines are Not an Option; Intel Pledges \\$1M to Address Social Justice, Racism](#), Intel.

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Source: 2020 Gartner CSO Priorities Pulse Survey

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# CEOs Want Quick Action on Board Diversity and the GC Can Move the Needle

by Laura Cohn

with contributor Drew Tanenbaum

Legal leaders tell us their CEOs want quick action on bringing historically underrepresented groups into the boardroom. As a spate of activity in the U.S. builds on a push that's been underway in Europe for years, companies look to the general counsel (GC) to help make room for and seek out directors who bring new perspectives to the table.

In fact, 75% percent of U.S.-based corporate secretaries and in-house legal teams are reexamining director recruitment and succession planning to make sure those projects take diversity into account, according to a survey by Deloitte and the Society for Corporate Governance.<sup>1</sup> The other 25% plan to do so in the future. In September 2020 alone, 56 global organizations agreed on metrics for tracking board diversity, while 17 other companies pledged to nominate a Black director by the end of 2021.<sup>2,3</sup>

Behind the urgency is a clamor for change from employees, the markets and governments. Nearly half of the 600 U.S. employees we surveyed in June 2020 said they want their companies to do more to promote diversity and inclusion. In December, Nasdaq asked the U.S. Securities and Exchange Commission to let it require listed companies to have at least one woman and one self-identified minority on their boards — a mandate similar to a new California law.<sup>4,5</sup> Investors use board diversity as a metric to track an organization's environmental, social

and governance credentials. A legal leader and a recruiter told us investors have asked companies to adapt U.S. football's "Rooney rule" to find board members (i.e., when National Football League teams fill coaching positions, they must interview candidates from underrepresented groups).

The general counsel must step forward. As board secretary, the GC is in a position to coordinate a director diversity initiative with the CEO and chief human resources officer (CHRO). In addition, the GC must keep the board informed about national or state legislation that affects reporting requirements. The chief legal executive often supports the nominating and governance committee, which is tasked with board composition.

Because a limited number of board seats open up each year, it is important to plan ahead. "When organizations have been intentional and focused, they have moved the needle," according to Lyndon Taylor, who leads the global diversity and inclusion practice at the executive recruiting firm Heidrick & Struggles.

Being intentional means taking steps to widen the aperture — take in a broader swath of candidates beyond the traditional choice of seasoned public company executives to include those with lower-level profit-and-loss roles, other likely future leaders, university professors and high-level management from private companies. It's an underused tactic: 72% of the open U.S. board seats in 2019 went to candidates who had previously served on public company boards.<sup>6</sup> In Europe, the story is largely the same; 66% of the open board seats in 2019 went to those with prior board experience.<sup>7</sup>

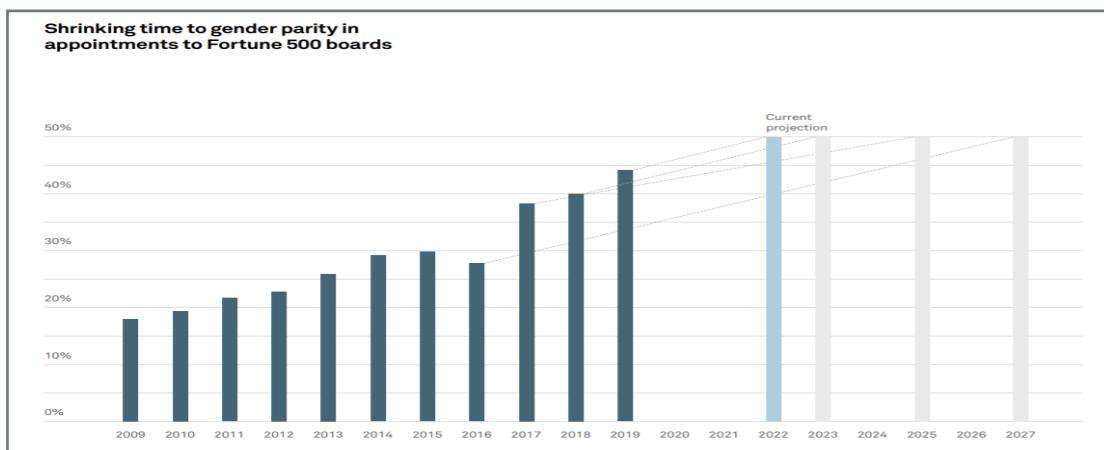


**Lyndon Taylor**  
Global Diversity and  
Inclusion Practice Lead,  
Heidrick & Struggles

### A Mixed Record on Progress in the Fortune 500

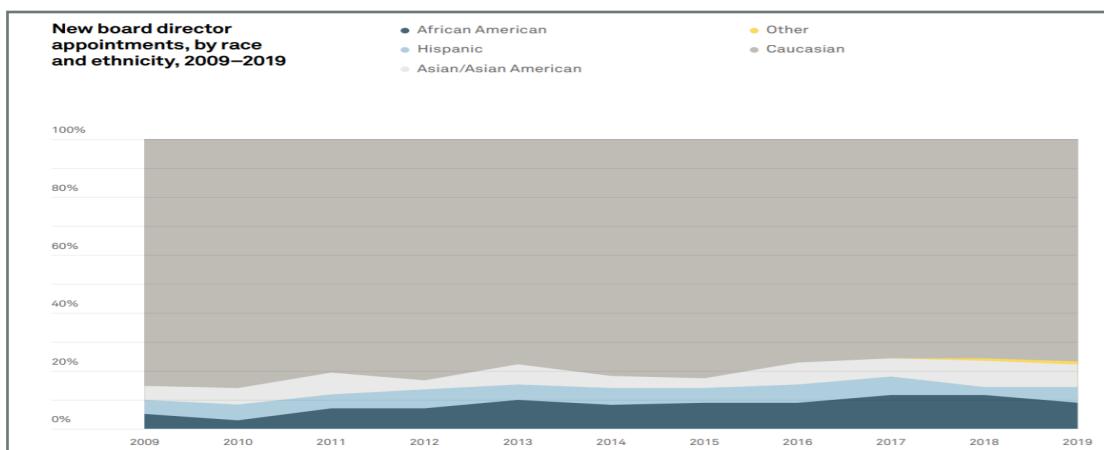
While U.S. companies have improved the gender balance of boards, they've made little progress in the appointment of other historically underrepresented groups (see Figure 1 and Figure 2).

**Figure 1. Board Appointments of Women Have Grown Over Time**



Source: Heidrick & Struggles

**Figure 2. Board Appointments of People of Color Have Stagnated**



Source: Heidrick & Struggles

If you want to move faster, you can. Based on our conversations with legal leaders, recruiters and other workplace experts, a GC looking to build board diversity should advise companies to:

- Set clear diversity goals for the board and discuss expectations for timing
- Seek out candidates for their skill sets, not titles
- Push recruiters with probing questions and clear instructions
- Consider whether to restructure the board (e.g., adding more directors, setting or enforcing existing term or age limits)

### **Set Clear Diversity Goals for the Board**

Particularly if building board diversity is a new initiative, the first step is a frank discussion about the organization's short- and long-term diversity goals. Kim Rivera, special advisor to the CEO and former president of strategy and business management and chief legal officer at HP Inc., told us the GC should help the board strategize by asking the group:

- What are the ways we could do this?
- What makes sense for our organization?
- How do we structure our approach to this?

"When you're clear about the intent, clear about expectations and clear about timing, it does bring results," Rivera said. "I have yet to see anything that has been as effective in driving progress and change."

**Kim Rivera**

Special Advisor to the CEO and Former President of Strategy and Business Management and Chief Legal Officer, HP Inc.

She added that it's critical for the GC to involve other top executives in the effort. "You have to make sure you have a good partnership with the CEO, the chair, the CHRO, and that you're approaching it as a team," Rivera said. In 2015,

when Hewlett-Packard Company split into two groups, HP's leadership set out to create the most diverse board of directors in tech by focusing on the desired skill sets of the new company and by seeking talent from not only other corporations but also from academia and government. It was an unusual situation. Instead of filling an empty seat or two, executives created an entire board from scratch.

Board diversity has remained an objective ever since, Rivera said. HP currently has both women and directors from historically underrepresented groups on its board. When there's an opening, she told us, HP works to source candidates with professional organizations, including:

- Association of Latino Professionals for America
- Black Corporate Directors Conference
- DirectWomen
- Latino Corporate Directors Association
- Leadership Counsel on Legal Diversity
- Minority Corporate Counsel Association

Such groups can help you expand your talent search beyond the traditional profile of a "corporate executive with prior board experience." Once you establish a relationship, maintain the connection so you can jump-start recruiting when you need to in the future.

It will take time. "You're not going to get it all done overnight," Rivera said. "The way you change this is by changing it, by accepting you're going to have to do this a bit differently, a step at a time." If organizations tap into wider networks and think more broadly, she said, "I actually don't think it will be a crisis of lack of candidates or lack of talent. There's a lot of talent out there."

If your company doesn't set its own goals, policymakers may do it for you. California's gender diversity law has been challenged in court but has nonetheless had an impact: When the bill was passed and signed by the governor in 2018, 30% of public companies in California had boards composed of just men. In 2020, fewer than 3% had only male directors.<sup>8</sup>

Other U.S. states have passed or considered passing legislation requiring companies to have gender, racial or ethnic diversity on their boards (see Figure 3).

In Europe, governments have been moving to impose gender quotas for boards for more than a decade. Norway was the first, in 2008.<sup>9</sup>

Perhaps these initiatives explain why half of the open board seats in Europe went to women in 2019, compared with 44% in the U.S., according to Heidrick & Struggles. In Hong Kong, with no gender quotas for directors, the figure was merely 6%.<sup>10</sup>

See Figure 4 for a look at the global picture.

**Figure 3. Board Diversity Requirements — Recent Moves at the U.S. State Level**

States With Laws Mandating Diversity on Boards	States Mandating Firms Report Gender, Racial or Ethnic Composition of Boards	State Legislatures That Introduced Board Diversity Resolutions	State Legislatures Considering Board Diversity Mandates
<ul style="list-style-type: none"> <li>• California<sup>a</sup> (2018, 2020)<sup>b</sup></li> <li>• Washington (2020)</li> </ul>	<ul style="list-style-type: none"> <li>• Illinois (2019)<sup>c</sup></li> <li>• Maryland (2019)</li> <li>• New York (2019)</li> </ul>	<ul style="list-style-type: none"> <li>• Colorado (2017)<sup>d</sup></li> <li>• Iowa (2019)</li> <li>• Ohio (2019)</li> <li>• Pennsylvania (2019)</li> </ul>	<ul style="list-style-type: none"> <li>• Hawaii (2020)</li> <li>• Massachusetts (2019)</li> <li>• Michigan (2019)</li> <li>• New Jersey (2019)</li> </ul>

Sources: "Will Other States Follow California in Adopting Board Gender Diversity Mandates?" Cooley PubCo; "States Are Leading the Charge to Corporate Boards: Diversify!" Harvard Law School Forum on Corporate Governance; "Corporate Governance Emerging Best Practices Series: Gender-Diverse Boards," The National Law Review.

<sup>a</sup> California requires companies to have gender diversity and at least one director from a historically underrepresented group. Washington requires gender diversity.

<sup>b</sup> Year passed or introduced.

<sup>c</sup> All three states require companies to report gender diversity. Illinois also requires the reporting of historically underrepresented groups.

<sup>d</sup> Colorado's legislature adopted the resolution, which was a nonbinding measure.

**Figure 4. Board Diversity Requirements — Select Moves in Europe and Asia/Pacific**

Countries With Gender Quotas for Boards	Countries With Board Diversity Initiatives Backed by Stock Exchanges or Executive Groups
<ul style="list-style-type: none"> <li>• Belgium (2017)<sup>a</sup></li> <li>• France (2017)</li> <li>• Germany (2015)<sup>b</sup></li> <li>• India (2013)</li> <li>• Switzerland (2021)<sup>c</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Australia (2019)</li> <li>• New Zealand (2017)</li> <li>• U.K. (2015, 2021)<sup>d</sup></li> </ul>

Sources: U.S. Library of Congress; Deloitte; U.K. Department for Business, Energy & Industrial Strategy.

<sup>a</sup> Effective year.

<sup>b</sup> Germany, in November 2020, put forth a new measure requiring gender diversity on executive boards, building on its 2015 law that mandates 30% of the seats on nonexecutive supervisory boards go to women.<sup>11</sup>

<sup>c</sup> Switzerland has a gender quota for executive boards and boards of directors.

<sup>d</sup> The U.K.'s Parker Review, in 2017, set a goal for FTSE 100 boards to have at least one person of color by 2021. That followed the government-commissioned Davies Review, which recommended 25% of board seats go to women by 2015.

## **Seek Out Candidates for Their Skill Sets (Not Titles)**

You may tell a recruiter you'd like a female CEO for your board, but if you do, you will crop a significant number of potential candidates out of the picture; there are only a few dozen female chief executives in the Fortune 500.<sup>12</sup>

Instead, try instructing the recruiter to seek a candidate who's been responsible for the decision-making process at a company. This puts division presidents, executive vice presidents, vice presidents and chief operating officers in the mix and expands the scope of the search, according to Rochelle Campbell, director, board recruitment and special projects, National Association of Corporate Directors.

You can also ask recruiters to seek candidates with financial, marketing or human capital expertise. As you go through the recruitment and interview process, you can use your skills-based profile to help shape the final decision, Campbell told us.

## **Push Recruiters to Help You**

HP Inc.'s Rivera advises companies to ask recruiters where they source candidates and how many diverse candidates they have placed in the past.

The GC could also guide the organization to select an executive search firm with experience in diversity and inclusivity. Four out of the top five executive search firms have associates who specialize in the area, dedicating a major part of their services to helping organizations build a more diverse and inclusive workplace, our HR research shows.

If your recruiters come up empty, challenge them to explore deeper. Organizations should aim to have at least 50% of the slate be diverse because it heightens the odds that a board candidate from a historically underrepresented group will be selected in the end, Allyson Zimmermann, executive director of Catalyst Europe, Middle East and Africa, told us.

## **Consider the Need to Restructure the Board**

Board seats don't open up often — few companies have the blank slate that HP did. In 2019, for instance, 40% of companies in the S&P 500 did not change the composition of their boards, according to The Conference Board.<sup>13</sup> Just 31% nominated a new director or added a seat, 19% nominated two new board members and 10% added three or more.

The GC can suggest an expansion in order to bring more historically underrepresented groups into the boardroom or ask that retirement rules be enforced (they often aren't) or that term limits be added (under 6% of global companies do this).<sup>13</sup> One way to overcome resistance: strengthen director evaluations. The most in-demand director skills require constant updating. Companies need to either improve direction education efforts or explore ways to sunset directors whose skills no longer match their needs

<sup>1</sup> Diversity, Equity and Inclusion: Board Practices Quarterly (September 2020), Deloitte.

<sup>2</sup> Global Corporations Agree to Adopt Set of Key Performance Indicators to Measure and Improve Diversity, Catalyst.org.

<sup>3</sup> These 17 Companies Are Pledging to Add a Black Board Member by the End of 2021, Fast Company.

<sup>4</sup> Nasdaq Pushes for Diversity in the Boardroom, The New York Times.

<sup>5</sup> Newsom Signs Law Mandating More Diversity in California Corporate Boardrooms, Los Angeles Times.

<sup>6</sup> Board Monitor U.S. 2020, Heidrick & Struggles.

<sup>7</sup> Board Monitor Europe 2020, Heidrick & Struggles.

<sup>8</sup> Exclusive: California's Board Diversity Law Led to 670 Board Seats Filled by Women, Report Finds, Fortune.

<sup>9</sup> California Companies Are Rushing to Find Female Board Members, The New York Times.

<sup>10</sup> Board Monitor Hong Kong 2020, Heidrick & Struggles.

<sup>11</sup> Merkel's Boardroom Gender Quota Plan Doesn't Go Far Enough, Say Germany's Greens, Deutsche Welle.

<sup>12</sup> Female Fortune 500 CEOs Reach an All-Time High, But It's Still a Small Percentage, CNN.

<sup>13</sup> Corporate Board Practices in the Russell 3000 and S&P 500: 2020 Edition, The Conference Board.

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# 3 Considerations for Managing People Costs Every Executive Should Know

by Jessica Kranish and Oana Lupu

It's a difficult time to make decisions about hiring, firing or freezing job openings — or weighing up compensation and benefits. Employees are feeling the strain of the prolonged crisis. Each organization must juggle its own set of unique financial pressures and strategic priorities. People costs are the biggest line item for most companies, representing about two-thirds of the total budget.

In 2021, some executives will be in the enviable position of reintroducing benefits that were withdrawn in 2020. Others may be required to make additional, tough cost-cutting decisions.

Business leaders should work with finance and HR to evaluate how such decisions will affect employees and the company. When assessing people costs, functional leaders should consider the following three factors:

- The more personal the cut, the greater the negative impact
- Reducing people costs has long-term implications for growth, not just immediate ones
- Protecting preferred benefits and communicating transparently can help mitigate other cuts

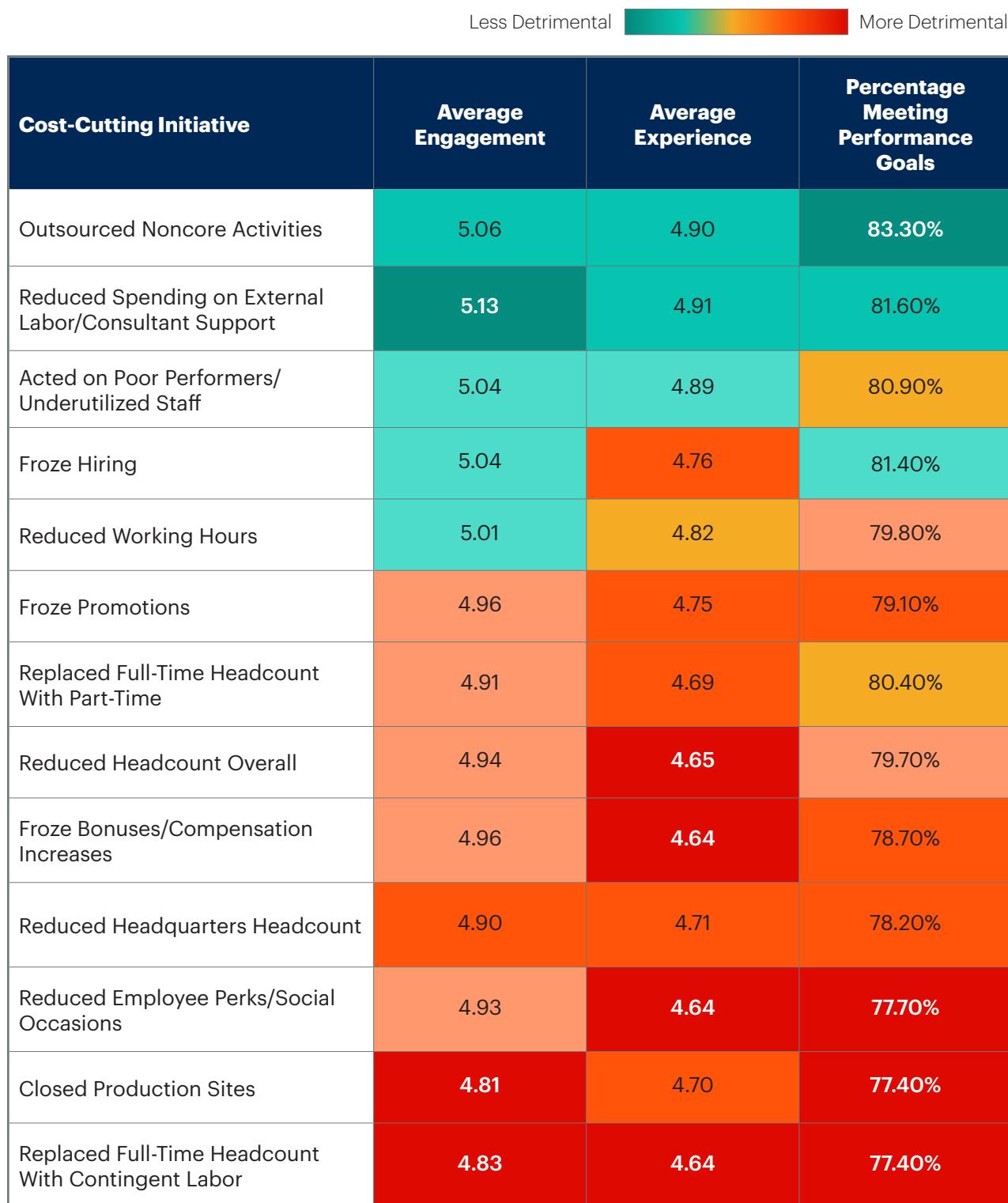
These elements have the most impact on well-being, motivation, retention and ultimately the success of your organization.

## The More Personal the Cut, the Greater the Negative Impact

Cuts that affect employees' day-to-day lives — such as closing production sites or replacing full-time staff with contingent labor — do the most damage to employee engagement, experience and productivity, a 2019 survey of nearly 10,000 managers and employees found.<sup>1,2</sup>

Cost-reduction initiatives that aren't as personal, such as outsourcing activities that add little value and don't generate revenue or reducing spending on external consultants, have less of an impact (see Figure 1). This data was consistent across different employee groups, regions and industries.

**Figure 1. Employee Impact of Cutting People Costs**



n = 9,994 managers and employees

Source: 2019 Global Labor Market Survey

Note: Employee engagement and experience are measured on a seven-point scale.

Changes to employee experience and engagement are important because they also affect performance. For instance, a 10% increase in engagement can boost employees' effort by six percent. This, in turn, can improve performance by two percent, while reducing their probability of leaving the company by 9%.<sup>3</sup>

If your company has cut people costs already and is now considering reintroducing some of them, don't automatically return to the same spending levels you had before the pandemic. For instance, this may be a good time to attract new talent without having to spend as much. The salary bump employees expected to receive when switching to a new job fell to 10.8% in the second quarter of 2020, whereas previously it had been 14% to 15%.<sup>4</sup>

To retain some of the efficiencies established in response to the crisis, executives should base their decisions about reopening their wallet on:

- The sustainability of current reductions, not on revenue returning to normal
- Maximizing strategic differentiation, not matching prepandemic profit margins
- Supporting the postpandemic catalysts of business growth, not the traditional ones<sup>5</sup>

Functional leaders should provide the CFO with a qualitative assessment of the projected effects of keeping specific people cuts in place on their respective key performance indicators.

This will equip the CFO and heads of HR to gauge the impact maintaining any reductions will have on employee satisfaction and retention.

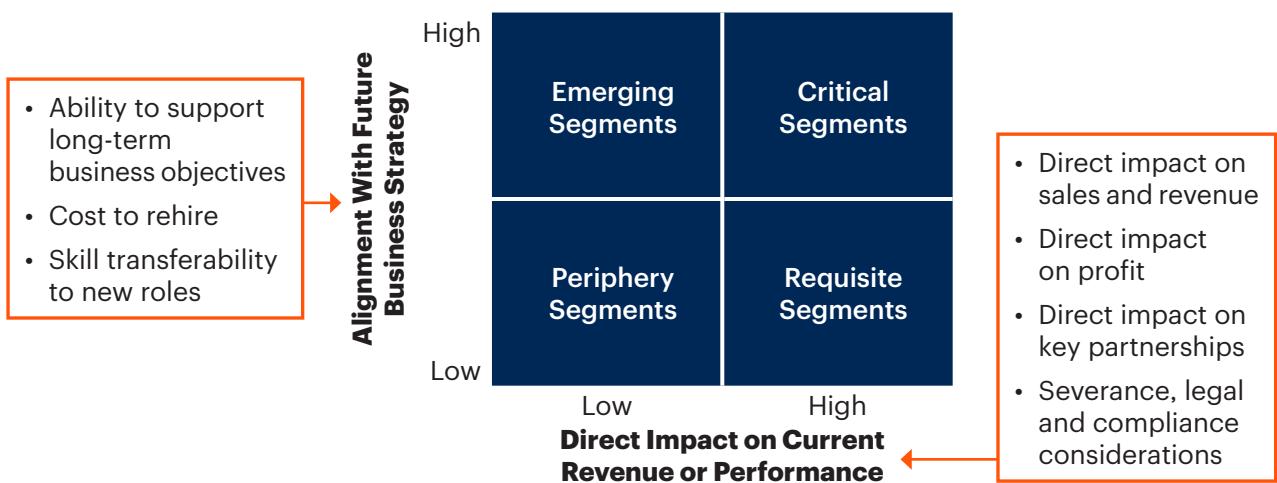
### **Reducing People Costs Has Long-Term Growth Implications, Not Just Immediate Ones**

To understand the implications of any proposed changes, look beyond the short term to consider longer-term associated costs that may be less apparent. Keep this in mind when evaluating potential savings. What seems like a good way to meet revenue targets this quarter may harm your ability to meet them in the future. For example, the true cost of layoffs and severance packages might include recruiting employees for roles when the economy rebounds, training and the time needed to get them up to speed, and the opportunity cost of not having staff ready as soon as the rebound happens.

These costs can add up: The median cost per hire for external candidates is \$4,623, according to a Gartner survey of 51 recruitment leaders in North America and Europe, conducted in the first quarter of 2020.<sup>6</sup> Heads of HR should help identify and calculate these expenses.

If your company is considering layoffs, incorporate this holistic view of costs into your discussions. CFOs can help structure the conversation by using our segmentation matrix (see Figure 2). This tool helps provide context on the impact of layoffs on the organization. For example, "cost to rehire" is listed under alignment with future business strategy. HR could also add in the cost of training new employees.

**Figure 2. Reduction-in-Force Segmentation Matrix**



Source: Gartner

When reintroducing benefits or making further cuts, executives should consider the impact on the employment value proposition (EVP). This is the set of attributes the labor market and current employees perceive as the value they gain by working for a specific organization.

Prospective hires will consider these factors when deciding whether to apply for a job or accept an offer. They may require more compensation or look elsewhere if the EVP doesn't meet their expectations. Protecting the benefits and incentives that matter most to employees helps attract and retain future talent.

If your company paused retirement contributions or froze promotions, then candidates may be swayed by a competitor still offering them. In a poll in the spring of 2020, only 7% of 138 CFOs picked reinstating 401(k) matches as their top choice to start spending, as revenue returns, whereas nearly half (49%) said new hiring would be their top spending area.<sup>7</sup>

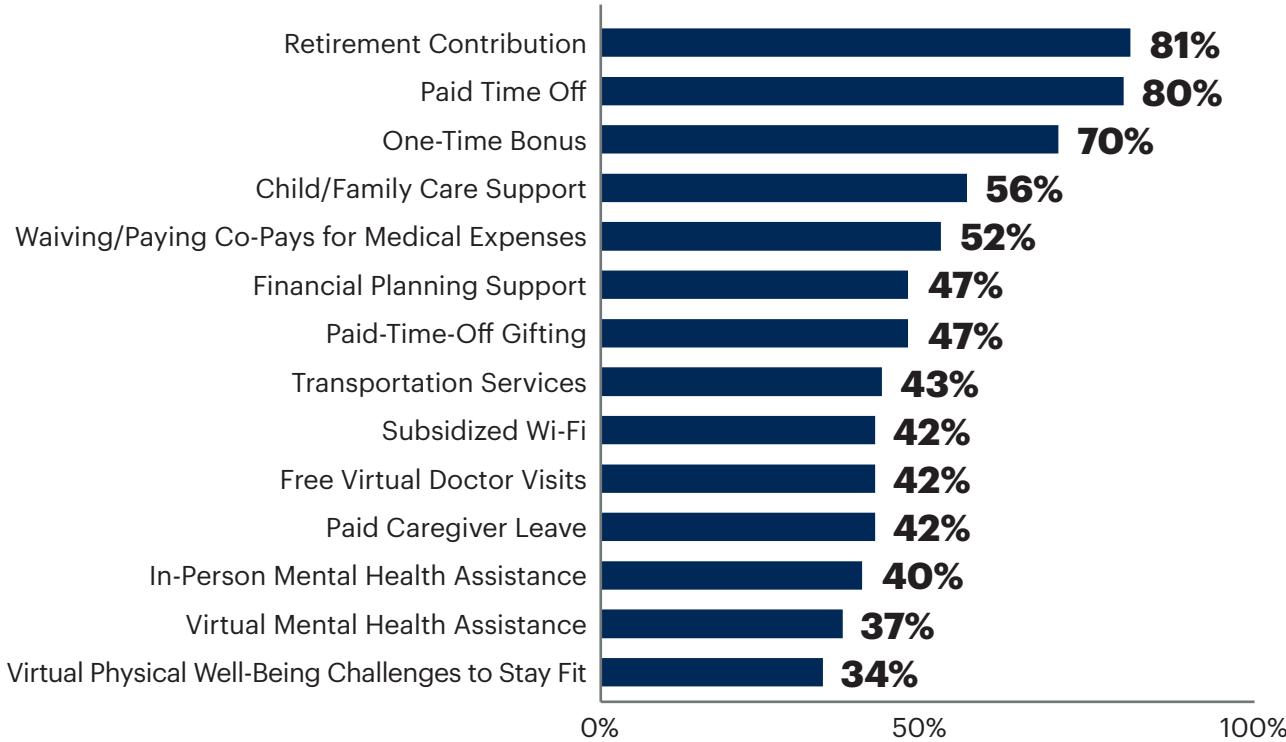
In the long term, prospective employees who learn about past benefit cuts may be reluctant to join the organization, fearing this might recur. It's therefore essential for executives to think through these long-term implications and work with HR to consider the trade-offs.

### **Protecting Preferred Benefits and Communicating Transparently Can Help Mitigate Other Cuts**

Any change in the portfolio of benefits will affect employee stress, productivity and engagement during the pandemic. Consider how the portfolio of benefits can mitigate the impact on morale concerning reductions in other types of people costs.

In the spring of 2020, when the pandemic first spread in the Western Hemisphere, U.S. employees most valued retirement contributions (such as a 401(k) match), paid time off, a one-time bonus and child or family care support (see Figure 3).

**Figure 3. Most Valued Benefits**



n = 588 employees

Q: "Which of the following benefits does your organization offer at this moment? (Select all that apply.)"

Q: "Please select up to three benefits that you value the most (of offered benefits)."

Source: 2020 Gartner Culture of Quality During Disruption Employee Survey

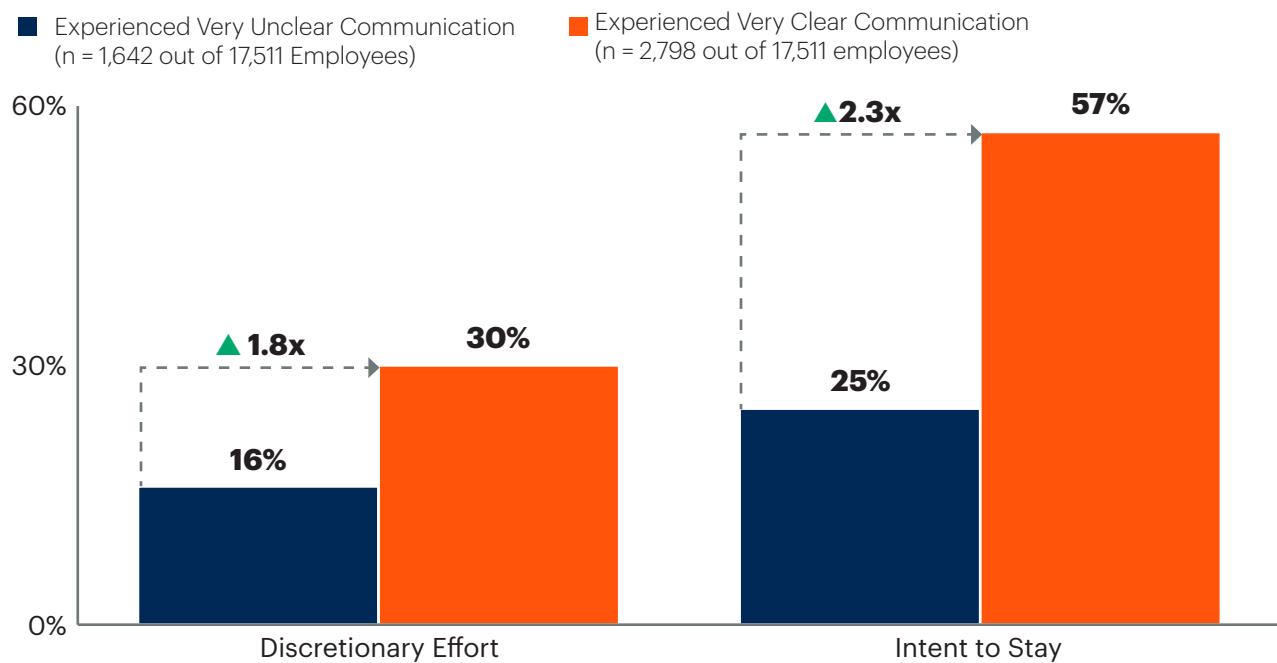
Use this data to help assess the overall impact of changes to people costs. If you're making cuts that will have a significant, negative impact on the employee experience, like freezing compensation increases, you could mitigate these effects by protecting valued benefits, like retirement contributions and paid time off.

Any changes to benefits will also affect productivity. During the initial phase of the pandemic, employee engagement increased from 1Q20 to 2Q20, although it varied significantly by industry.<sup>8</sup> Several public health surveys suggest the crisis has increased stress levels and mental health problems

(see Employees Need Mental Health and Well-Being Support Now More Than Ever). But we don't yet have sufficient data to assess how these factors will affect productivity in the long term.

Finally, no matter what changes your company makes to its people costs, transparent communications about cuts boost both retention and discretionary effort (see Figure 4). CFOs and heads of HR should work together to craft messaging about the financial rationale for making strategic cuts. The communications can also provide insight on how different scenarios would affect the company's financial health and future vitality.

**Figure 4. Impact of Clear Communications About Cost Cutting on Employee Discretionary Effort and Intent to Stay**



Source: 2019 Gartner 4Q Global Labor Market Survey

<sup>1</sup> Engagement is the extent to which employees feel passionate about their jobs, are committed to the organization and put discretionary effort into their work. Employee experience refers to perceptions and feelings based on interactions in the work environment. Productivity means the ability to meet objectives.

<sup>2</sup> 2019 Gartner Global Labor Market Survey

<sup>3</sup> 2011 Gartner Engagement Capital Study

<sup>4</sup> 2Q15-2Q20 Gartner Departure View Exit Surveys

<sup>5</sup> [How to Sustain Efficiency Gains in Functional Costs Post-COVID-19](#)

<sup>6</sup> 2020 Gartner Recruiting Executive KPI Benchmarking Survey

<sup>7</sup> Gartner COVID-19 Finance Quick Poll (29 April through 3 May 2020)

<sup>8</sup> 1Q20-2Q20 Gartner Global Labor Market Survey

# Support Well-Being in 2021 and Beyond

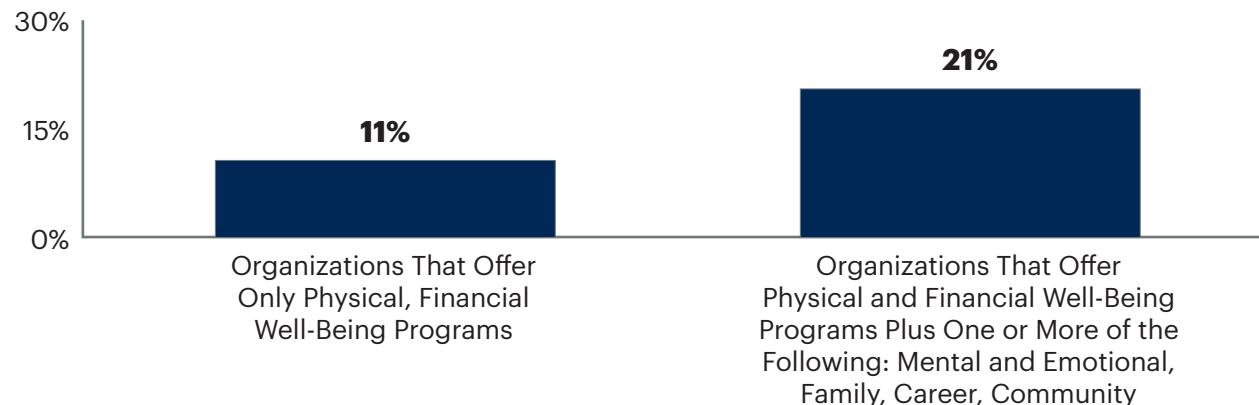
by Ben Szuhaj and Carolina Valencia

The need for well-being support has skyrocketed since the pandemic struck, giving organizations a new mandate to offer more and better programs. Organizations must respond to *all* facets of the individual, from the physical to the emotional, and address some of the new burdens that emerged over the past year, such as homeschooling.

While employees maintained productivity in the crisis year of 2020, even as they worked from home and juggled new demands, the grueling circumstances took a toll.<sup>1,2</sup> Over a quarter of the workforce (29%) described itself as depressed as a result of the COVID-19 pandemic.<sup>1</sup> HR leaders also tell us that after many months of restrictions on daily life, employees are joining COVID-19-specific webinars by the thousands, attending support groups for depression, anxiety and grief counseling in record numbers and discussing topics such as domestic violence and suicide prevention. Of employees who report their organization offers a mental well-being program,

nearly half (49%) participated in 2020.<sup>1</sup> For financial well-being, it is almost two-thirds (62%).<sup>1</sup> Helping employees manage all aspects of their health during turbulent times is not just the right thing to do, it's also good for business. Providing holistic well-being support can boost discretionary effort by 21%, twice as much as companies that provide traditional (physical and financial) programs alone (see Figure 1). As many employees brace for a prolonged period of stress, don't risk a decline in discretionary effort at the very time your enterprise needs productive employees the most.

**Figure 1. Impact of Well-Being Categories on Discretionary Effort**



n = 5,055

Source: 2020 Gartner Well-Being Employee Survey

However, providing well-being support that works in 2021 and beyond requires addressing three challenges identified through conversations with over three dozen HR leaders (see Figure 2). Progressive organizations are addressing them by:

- Committing to help employees cope with emerging and exacerbated stress factors even after the pandemic ebbs.
- Personalizing support to meet varied employee needs.
- Establishing programs, processes and guidance that enable discussion of uncomfortable topics.

### **Commit to Help Employees Cope With Emerging and Exacerbated Stress Factors Even After the Pandemic Ebbs**

In response to challenges exacerbated by the pandemic (e.g., suffering from anxiety) or generated (e.g., homeschooling), most organizations took emergency measures to support their staff. For example:

- Sixty-four percent of companies offered a new well-being benefit in response to the COVID-19 pandemic; of them, 85% introduced additional mental health support.
- Eighty-seven percent of businesses provided flexible work hours to employees taking care of children or parents.

- Twenty-six percent gave employees paid time off (PTO) for child care and 21% gave PTO for eldercare.
- Eighteen percent reimbursed child care expenses.<sup>3</sup>

Mastercard, a U.S.-based multinational financial services corporation, even let employees enroll their children in a free online summer camp to support families when school was not in session.<sup>4</sup>

This type of assistance is crucial because 59% of employees report they have primary caretaking responsibilities for children during the pandemic, and 31% are taking care of adult family members.<sup>1</sup>

Only 27% of organizations report that they plan to maintain the programs introduced during the pandemic for the foreseeable future.<sup>5</sup> The rest should consider sustaining these programs beyond the pandemic because the hit to household finances and lingering stress will persist even after the outbreak subsides.

### **Personalize Support to Meet Varied Employee Needs**

A working parent trying to manage homeschooling on top of a job has different needs than those of a single employee who is feeling lonely. But less than half of employees (46%) agree their organization's well-being programs are personalized.<sup>1</sup>

Organizations can take specific steps to achieve alignment between support and demand.

**Figure 2. Fulfilling the New Well-Being Mandate**

<b>Challenges HR Leaders Must Overcome<sup>a</sup></b>	<b>Action</b>	<b>Why It Works</b>
Employees have new and intensified needs.	Commit to help employees cope with emerging and exacerbated stress factors even after the pandemic ebbs.	When the pandemic ends, new and intensified needs will not disappear, so continued help will be necessary and providing it boosts talent outcomes.
Employees have a greater variety of needs.	Personalize support to meet varied employee needs.	The more varied the needs, the more personalization becomes essential, or else needs can go unmet.
The pace of disruptions is increasing.	Establish programs, processes and guidance to enable discussion of uncomfortable topics.	It builds employee resilience and allows the organization to respond more swiftly when disruption occurs.

<sup>a</sup> Challenges, actions and justifications identified based on dozens of conversations with HR leaders.

Source: Gartner

## Offer More Choice

Establish a range of options to address a single issue (e.g., stress) so employees can choose the one that best suits them. Currently, only 19% of employees working for organizations with mental well-being programs report having access to five or more offerings.<sup>1</sup>

Solutions need not be high cost. What's important is that they require different levels of effort to use, appealing to employees with varying amounts of time, energy and motivation.

For instance, to alleviate anxiety, selections might include:

- Meditation guides
- Support groups
- Emotional encouragement peers (employees who volunteer to explain available mental health support options or discuss the state of a colleague's emotional health)
- Employee assistance programs, which provide professional counseling services

## Provide Tailored Guidance

Give employees the tools to navigate challenging moments on their own and at the right moment. For example, Red Bull, an Austria-based energy drink manufacturer, uses a roller coaster analogy to share the common emotional stages people experience during times of change and gives examples of what each one might feel like for employees with and without children (see Figure 3).<sup>6</sup>

The company also provides suggestions on how to avoid pitfalls while navigating each phase (see Figure 4).

At Mashreq, a bank based in the United Arab Emirates, employees are encouraged to self-assess their well-being across six dimensions.<sup>7</sup> The results inform a development plan they are expected to create to hold themselves accountable for their wellness and take advantage of the offerings the organization provides them. Some employees focus on the areas where they scored low, others choose to continue strengthening their top areas and others do a little bit of both.

## Establish Programs, Processes and Guidance to Enable Discussion of Uncomfortable Topics

While 2020 is an anomaly, disruptions are increasingly common, which means organizations will more often experience the emergence of uncomfortable topics that have a direct impact on employee well-being (see Figure 5).<sup>8</sup>

Rather than wait, organizations need to establish programs, processes and guidance in advance of whatever unexpected event comes next. These efforts should empower — but not force — employees to discuss subjects they may otherwise be nervous to bring up, either because they perceive the topic as being historically stigmatized, contentious, too personal or a mix of all three.

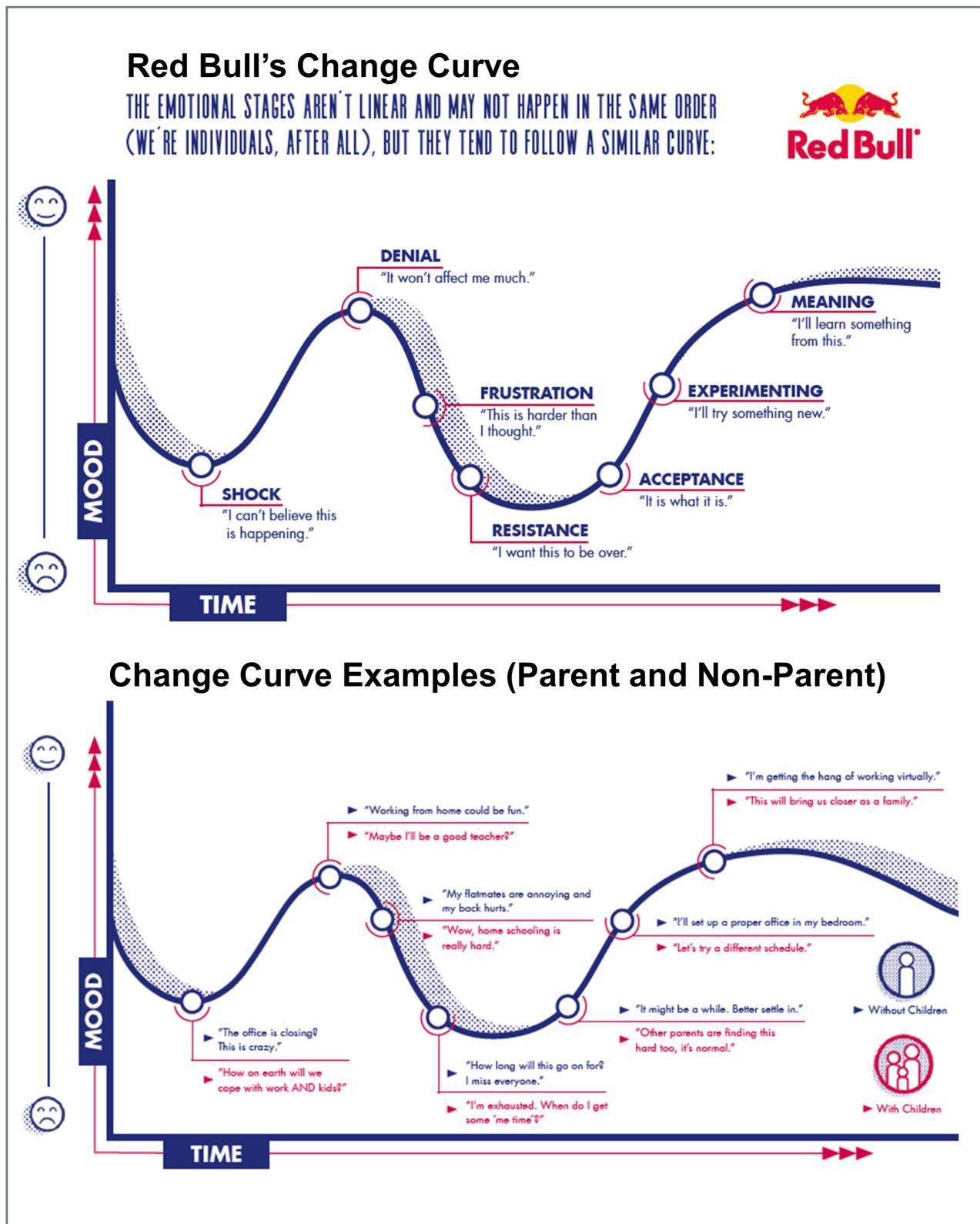
## Establish Programs to Encourage Talking About Historically Stigmatized Subjects

At Genentech, a member of the Roche Group, leaders reduce stigma by sharing their own mental health challenges, while employee mental health champions guide the conversation and direct employees to the appropriate resources (see Figure 6). HR at the pharmaceutical company gives the champions clear instructions on which conversation topics are appropriate and which ones should be held in a clinical setting, to make them safe and productive. The combination of senior and peer communication with some HR oversight has brought more comfort to conversations about mental health at Genentech and Roche in the U.S.

## Create Processes That Allow Employees to Easily Resolve Conflict

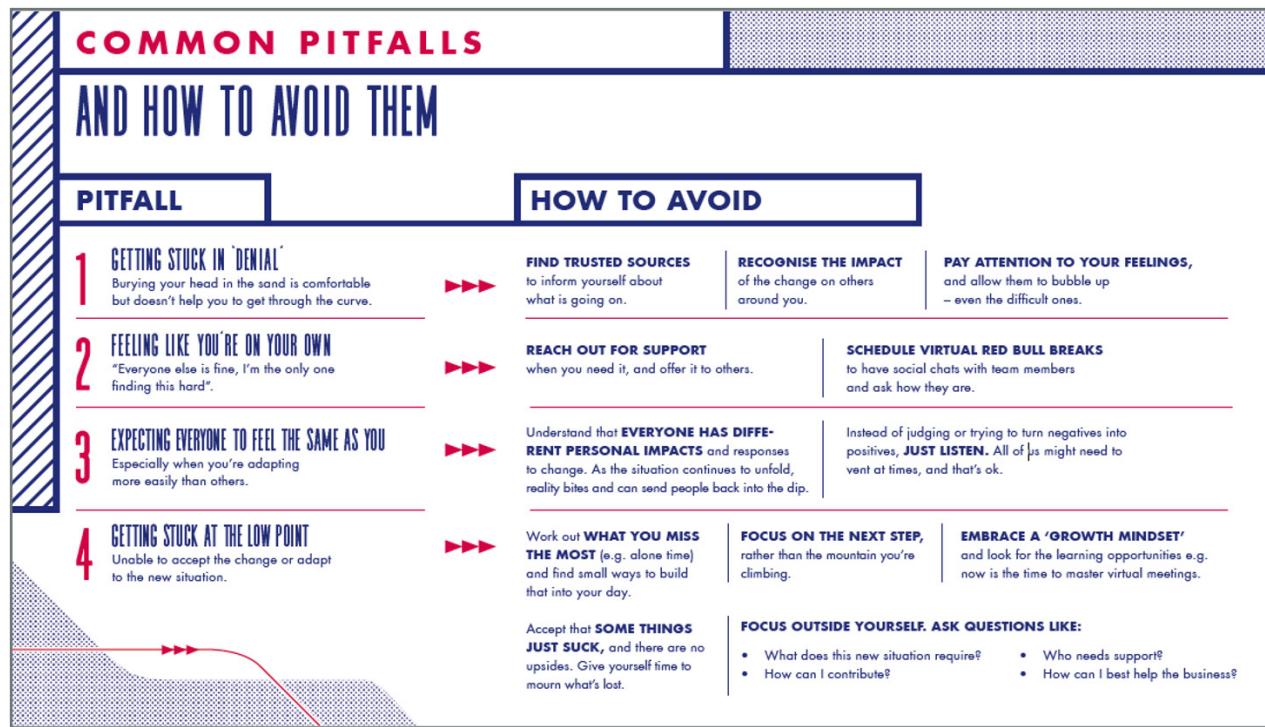
Western Health, a medical provider based in Australia, provides a lower-stakes alternative in addition to the formal complaint process for reporting and resolving tensions. Employees have a choice: they can turn to friendly volunteers if they are intimidated by organizational representatives. Volunteers then facilitate resolutions between employees. The entire process is "no blame," and either party can opt out at any time. It is important to note that this process was developed by employment lawyers, who also provided the training for the volunteers. Thus, it was designed to protect the interest of all stakeholders. Since the program's inception, perceived instances of discrimination have declined 25%, according to Western Health HR leaders.

**Figure 3. Red Bull's Change Curve and Example Curve (Parents and Nonparents)**



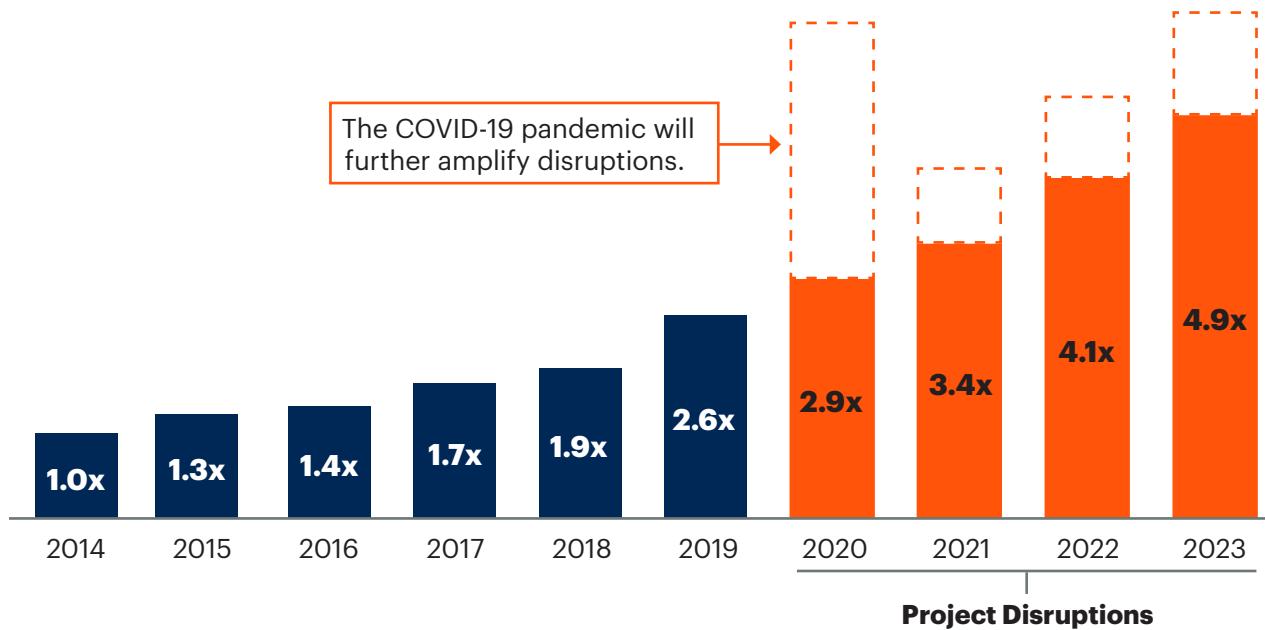
Source: Red Bull

**Figure 4. Red Bull's Suggestions for Avoiding Common Pitfalls**



Source: Red Bull

**Figure 5. Organizations Grappling With Unprecedented Disruption**

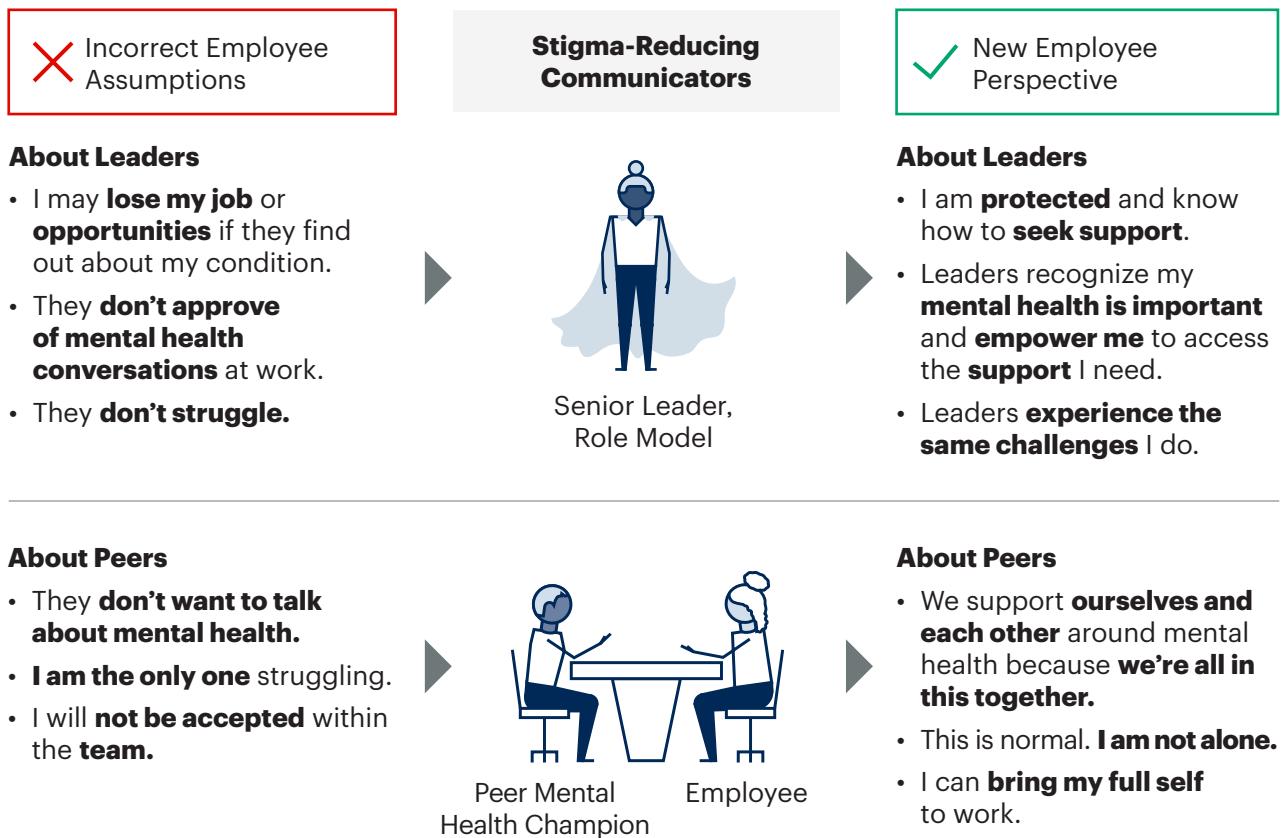


n = 1,996 Forbes 2000 companies

Source: Gartner Analysis of Capital IQ Data

Note: The business disruptions measured here are executive leadership turnover, mergers and acquisitions and international expansions.

**Figure 6. Employee Experience of Multilevel, Stigma-Reducing Communicators**



Source: Adapted From Genentech

### Prepare Managers to Have Conversations About Personal Topics With Employees

At one organization in the services industry, HR provides easy-to-understand information (i.e., do's and don'ts, conversation guides) that defines the level of involvement managers are expected to have when supporting their employees with mental and emotional health issues. This information is important because only about half of employees (49%) agree their manager understands their problems and needs.<sup>1</sup>

When creating mechanisms, processes and guidance to discuss historically stigmatized or personal topics, organizations must decide what balance they want to strike between needs and employee privacy. There is no one best place to draw that line, but organizations should be consistent and transparent with employees about the policy and make sure it is legally sound.

<sup>1</sup> 2020 Gartner Well-Being Employee Survey, n = 5,055.

<sup>2</sup> Gartner HR Lessons from COVID-19 Webinar Poll (9 December 2020)

<sup>3</sup> 2020 Gartner Well-Being Benchmarking Survey, n = 53.

<sup>4</sup> Mastercard's Virtual Kids Club

<sup>5</sup> Gartner Polling on Supporting Employees During the COVID-19 (September 2020)

<sup>6</sup> Riding the Rollercoaster (Red Bull)

<sup>7</sup> Enhancing Well-Being During the Pandemic: A Conversation With Ashok Gopal, of Mashreq Bank

<sup>8</sup> Gartner Analysis of Capital IQ Data

# There's No Place to Hide as Political Rifts Hit the Workplace

by Josh Bittinger, Daniel Ryntjes  
and Rebecca Palacios Shirer

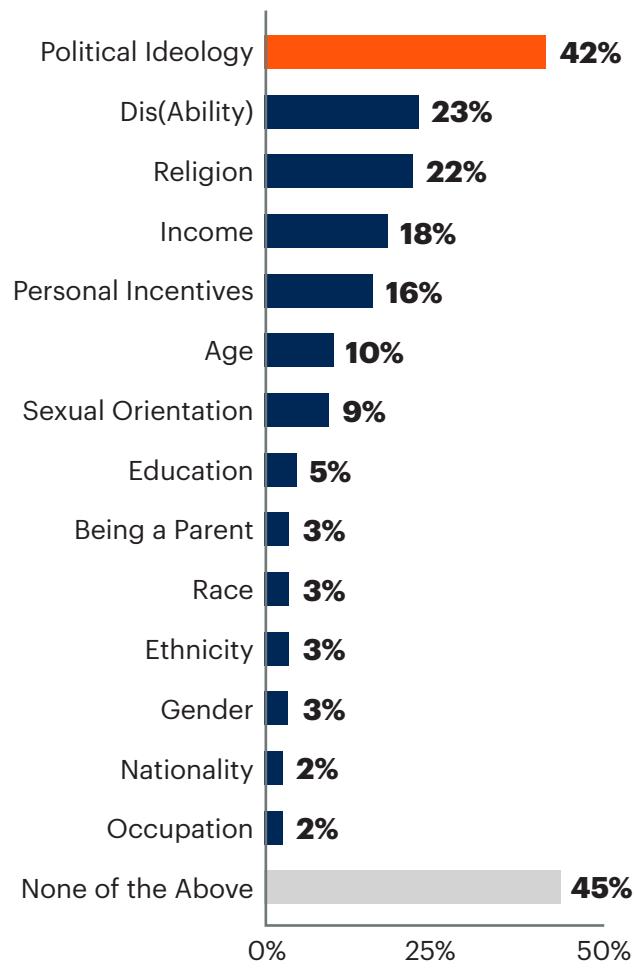
Employees want to hide their political beliefs from colleagues — but they have nowhere to hide. The traditional business tactic of discouraging political talk at work is failing; it's happening everywhere in the U.S. because of the presidential election. The resulting tension destabilizes teamwork, productivity, retention and well-being. And because politics and social issues are so intertwined — two examples are COVID-19 vaccinations and workforce diversity — the discord, left unmanaged, will continue to affect organizations throughout 2021.

## A Reluctance to Reveal Political Preferences Takes a Toll at Work

More than four in 10 employees (42%) in U.S. workplaces say "political ideology" is the facet of their personality that they hide most at work (see Figure 1). It's a higher percentage than for other sensitive aspects of their lives, including disability (23%), religion (22%), income (18%) or sexual orientation (9%).

This is a problem: Those trying to conceal their political beliefs are less engaged, less likely to feel they belong and less likely to recommend their employer to potential job candidates. In general, those who feel that they can't bring their whole selves to work are 81% more likely to leave their organization.<sup>1</sup>

**Figure 1. Hidden Personal Identities at Work**



n = 4,000

Q: "When you are at work, which of the following parts of your identity do you feel like you need to hide?"  
(Select All That Apply)

Source: 2020 Gartner Civic and Social Engagement in the Workplace Survey

When people keep their politics to themselves and they find their views are in the minority, it's more corrosive to their well-being. For example, 35% of conservatives in states won by the Democrats felt angry about hiding their political identity and 32% of liberals felt the same way when working in states won by Republicans. When they were in the majority, 19% of liberals and 22% of conservatives felt angry. Of the three-quarters of employees who do engage in political conversations, four in every 10 (42%) did so reluctantly and would have preferred to avoid such discussions (see Figure 2).

### **Divisive Elections Make It Hard to Get Work Done**

Those negative feelings translated into workplace dysfunction.

- Forty-four percent of U.S. employees avoided talking or collaborating with co-workers because of their political beliefs.
- In the 11 months leading up to the election, those witnessing a colleague being called an offensive name rose from 5.6% to 13.8%.<sup>2</sup>
- During this same period, the proportion of employees saying the election made it hard to get work done rose from 38% to 63% (see Figure 3).

Similar patterns appeared shortly before the October 2019 deadline for Britain to make a deal to leave the European Union. British workers reported spending an average 40 minutes during work time thinking about Brexit. At that time 29% of EU citizens said Brexit would negatively impact how people treat one another at work.<sup>3</sup>

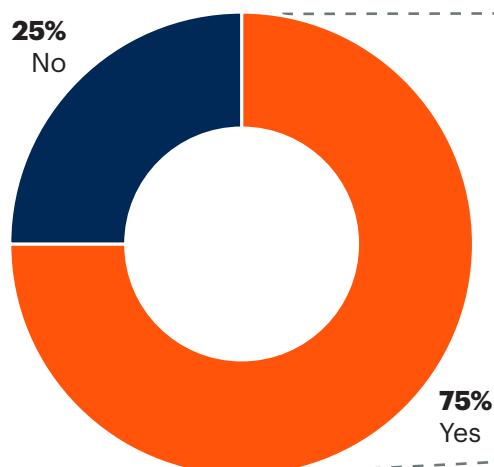
Though politics went from boiling point to a simmer in the wake of the World Health Organization's declaration of a pandemic in March 2020, that lower temperature didn't last for long.

Hostility and distraction rose again after the killing of George Floyd by police in Minneapolis, Minnesota, U.S., in May 2020, leading to protests calling for racial justice and continued rising in the run up to polling day.

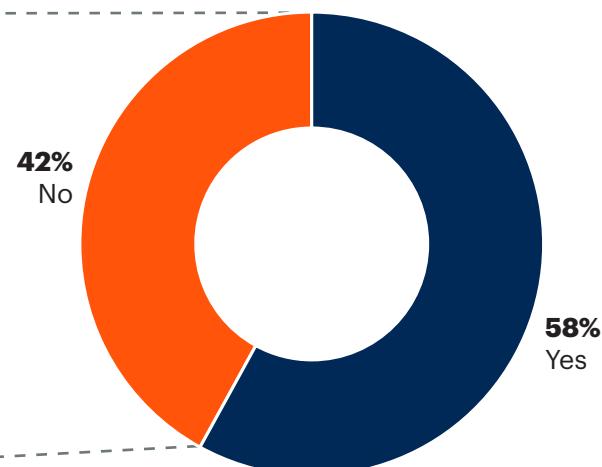
So leaders are exploring methods to prevent bitterness from festering in an effort to shore up performance and avoid clashes over health protocols. Some approach politics head-on through carefully managed discussions or conflict resolution mechanisms. Others advocate more indirect team building methods to lay a groundwork of personal trust.

**Figure 2. Many Employees Talked About Politics at Work, But Not All Wanted To**

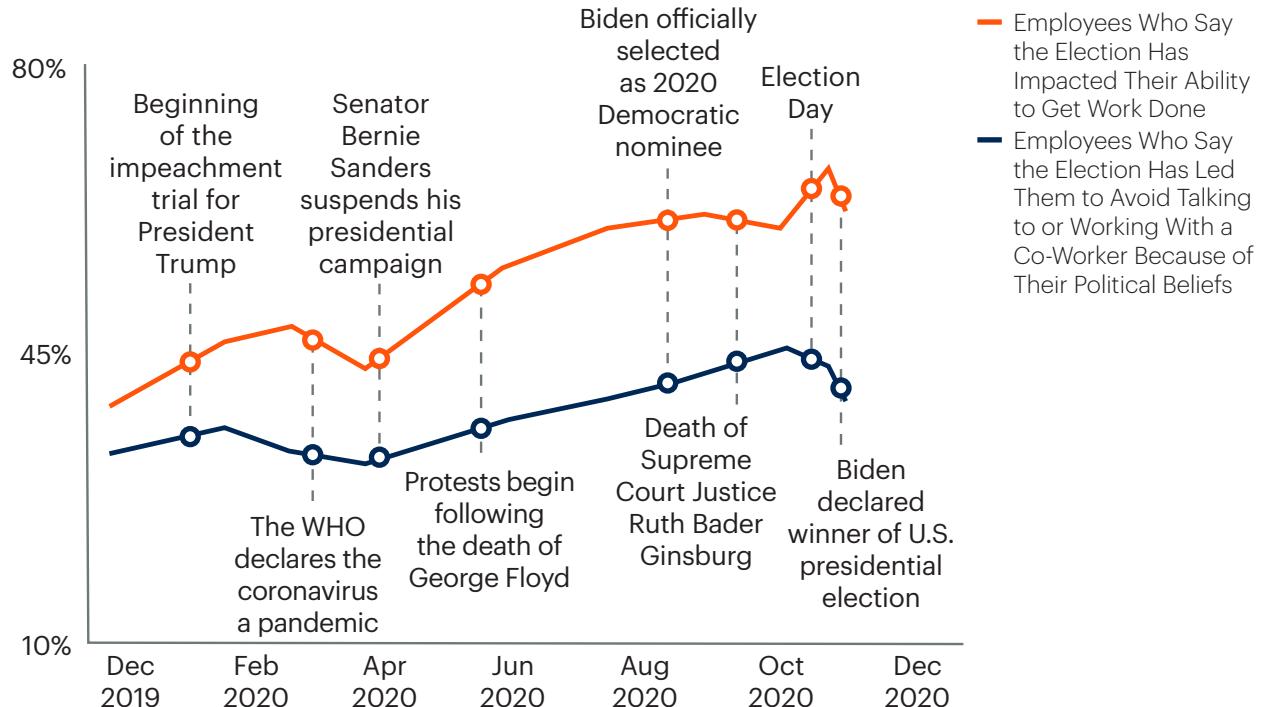
Q: "During 2020, did you talk to a coworker about politics?"



Q: "Do you want to talk to coworkers about politics?"



**Figure 3. Impact of Politics and the U.S. Election on U.S. Employees**



Source: Gartner U.S. Election Employee Sentiment Surveys

### Letting Conflict Fester Will Cost Your Organization

David Liddle, the CEO of the U.K.-based TCM Group, a mediation and resolution consultancy, has helped organizations in the U.K. manage tensions, including those related to Brexit. He compares suppression to the build-up of magma just below the earth's crust: "It creeps around it bubbles up and it comes to the surface like volcanoes and suddenly then we need a lot of firefighters in our organization: HR business partners with the hoses putting this stuff out." And he warns executives against continuing to "stick their fingers in their ears."

To build the case for change, he advises executives to gain a clearer picture of the underlying costs of sustained workplace conflicts, factoring time devoted to managing tension by managers and HR, employee absence, loss of productivity and legal expenses.

A comprehensive conflict management framework endorsed by the C-suite, including the chairperson and CEO, is important, Liddle said. These senior leaders should model human qualities which reflect the company's values. That may include

compassion, kindness, empathy, openness and honesty: "business leaders rolled their eyes and yawned when we went into boardrooms and talked about this stuff 20 years ago," he said. He envisions a future in which leaders "start to recognize that how they resolve people issues, conflict, complex complaints are absolutely central to the effectiveness of the organization."

### Some Organizations Are Trying Proactive Discussion to Manage Tension

An example of proactive resolution measures: The financial services company TIAA has organized events designed to help employees deal with sensitive topics called REAL Talks (Respectfully Engage and Listen/Learn). To reduce the risk of exacerbating hostility and discord, TIAA established rules of engagement and discussion objectives. While the main goal is to advance diversity and inclusion, an underlying objective is to build skills for holding productive conversations about uncomfortable topics that often intersect with live political issues, including pay equity, faith-based inclusion at work and the disproportionate impact of COVID-19 on people of color.

Between September 2019 and August 2020, more than 1,000 employees attended REAL Talks. Among participants taking engagement surveys TIAA noted a six percentage-point rise in respectful treatment, rising by 7% to 8% for Black and Hispanic associates.

After the U.S. election, however, employees told us that the most common action carried out by their organizations had been to encourage voting (38%). Eighteen percent said their organization reminded them not to discuss politics at work.

Those that did encourage dialogue (see Figure 4):

- Held town hall style events: while remaining politically neutral (8%), or supporting specific policies or candidates (4%)
- Moderated discussions between employees (8%)
- Created new employee groups where discussions were encouraged (6%)

When employees' views generally aligned with colleagues, 43% of employers facilitated conversations. But when the workforce generally included differences in political perspective, only 20% of organizations arranged such discussions.

Yet in November 2020, in organizations where political discussion is encouraged, employees were also more likely to report incidents of aggression,<sup>4</sup> including:

- A co-worker being called offensive names (28%)
- People being avoided by colleagues (31%)
- Staff being treated unfairly (28%)

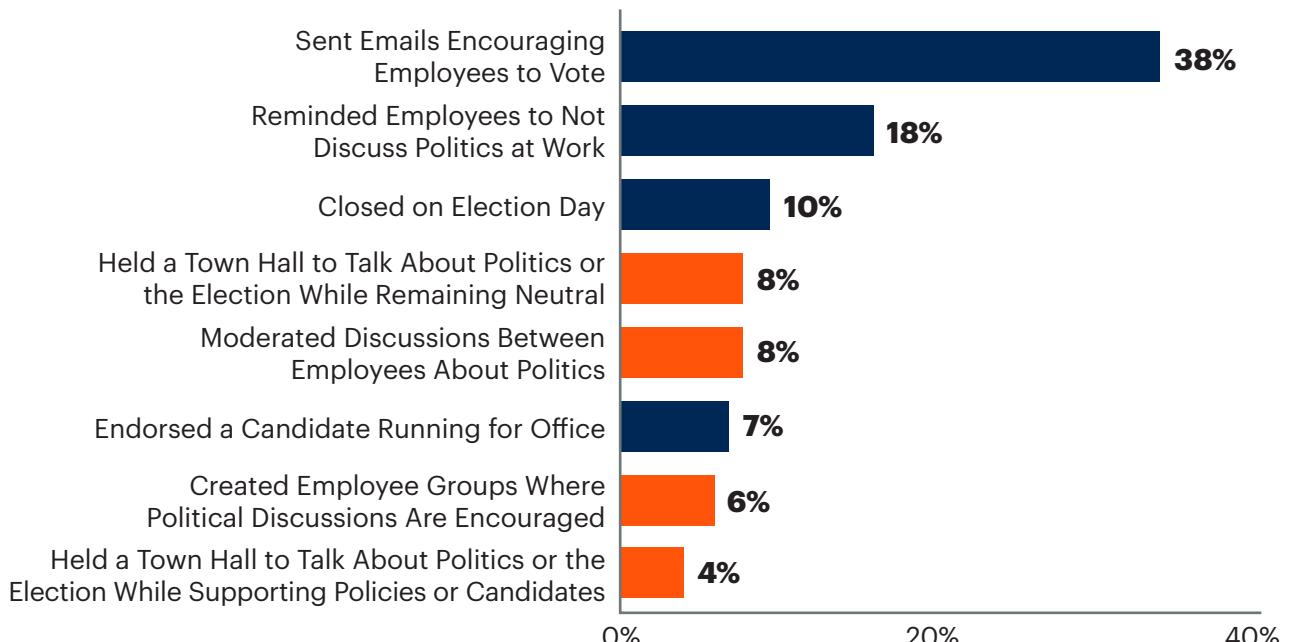
Among employees who say their workplace tries to stop political conversation, the percentages drop:

- A co-worker being called offensive names (15%)
- People being avoided by colleagues (19%)
- Staff being treated unfairly (10%)

### Some Try More Indirect Team Building Methods

Indeed, Professor Robert Talisse, an expert in political polarization at Vanderbilt University, urges caution. He cites psychology research demonstrating that people tend to hold firm to their original views when presented with evidence to the contrary.<sup>5</sup> He suggests that the best way to avoid the “toxicity of our political conflicts” is to find ways to interact where “values and shared purposes that have nothing to do with politics are brought more closely and more centrally to the fore.”

**Figure 4. Political Actions Taken by Employers During 2020**



n = 4,000

Source: 2020 Gartner Civic and Social Engagement in the Workplace Survey

This is how executive coach John Kanengieter managed friction related to gender between the Russian cosmonaut Dmitri Kondratyev and NASA astronaut Cady Coleman. He was hired in 2010 by the U.S. National Aeronautics and Space Administration (NASA). They were scheduled to travel in a Soyuz rocket to the International Space Station, along with Italian astronaut Paolo Nespoli (Figure 5).

Kanengieter told us he was given three days, which wasn't enough time to take them out on a wilderness team-building expedition, as he normally would. Instead they lived and worked together in isolation in crew quarters. "Where I found success was not into jumping into a dialogue around gender, or national perspectives or how they do things, but trying to build trust with them."

The initial breakthrough came as the three crew members prepared to eat a meal together with

him and he asked a simple question: "Why did you choose to become an astronaut?" He was looking for "a common experience or common thread that could bring these people together."

Coleman described in a podcast how these discussions helped: "Dmitri is a very traditional Russian cosmonaut. And so in order for you to relate to him, if you really have something to say, it needs to be about business."<sup>6</sup>

Kondrayetev also told the podcast that he tends to obscure his identity at work: "I have no outlet, you know, I have to show up to work and I have to put on this face and the face doesn't necessarily represent you know, how I'm actually feeling."

Of course, conflicts don't magically disappear and the astronauts did face some tension while in space. But the trust they established helped them capture a supply ship using a robotic arm. And Kondrayetev even let Coleman cut his hair in zero gravity.

### Figure 5. A Haircut in Space



Source: NASA

<sup>1</sup> 2020 Gartner Civic and Social Engagement in the Workplace Survey (December 2020)

<sup>2</sup> Gartner U.S. Election Employee Sentiment Surveys (December 2019 to November 2020)

<sup>3</sup> Gartner Brexit Employee Sentiment Pulse

<sup>4</sup> Gartner U.S. Election Employee Sentiment Surveys (November 2020)

<sup>5</sup> [Clinging to Beliefs: A Constraint-Satisfaction Model](#), McGill University.

<sup>6</sup> [How to Trust People You Don't Like](#), Work/Life Podcast, TED Talks.

# Shared Responsibility for Digital Business Means New Expectations for Leaders

by Jamie Heyes, Raf Gelders, Irving Tyler and Jaime Capellá

Seventy percent of senior leaders recognize digital technology as integral to revenue achievement, product development, customer or citizen engagement and advancing strategic operational processes. But just 40% of organizations have begun to scale and refine their digital investments, according to 1,877 respondents to our 2021 CIO survey.<sup>1</sup>

Leading organizations share the responsibility for accelerating digital across leadership teams. It's no longer possible or appropriate for a single executive, such as the CIO, to take the lead. That's because analytics and technology work happens throughout the company, not just in IT. Forty-one percent of employees outside of IT already customize or build their own data and technology solutions for work.

As digital business progresses, matures and expands, the whole C-suite becomes responsible for making technology decisions and creating new team structures to support and implement them. This transformation will happen gradually (over the course of a few years) through three major phases. First, business leaders take more ownership of initial experiments. Then, they exploit digital business opportunities by

incorporating their own technology resources. In the third and final step, organizations achieve their “techquilibrium” when they reach the right mix of traditional and digital capabilities to compete in an industry. At that point, all leaders will be expected to drive digital as a central part of their jobs (see Figure 1).

As business leaders take on more responsibility, the CIO role changes. This is possible only when leaders are digitally dexterous; that is, when they have the ambition and ability to build and work comfortably in digital business. The role shifts from systems operator to foundations engineer and from digital evangelist to the orchestrator of distributed digital initiatives. The CIO’s new responsibilities help others carry out analytics and technology work in a consistent and

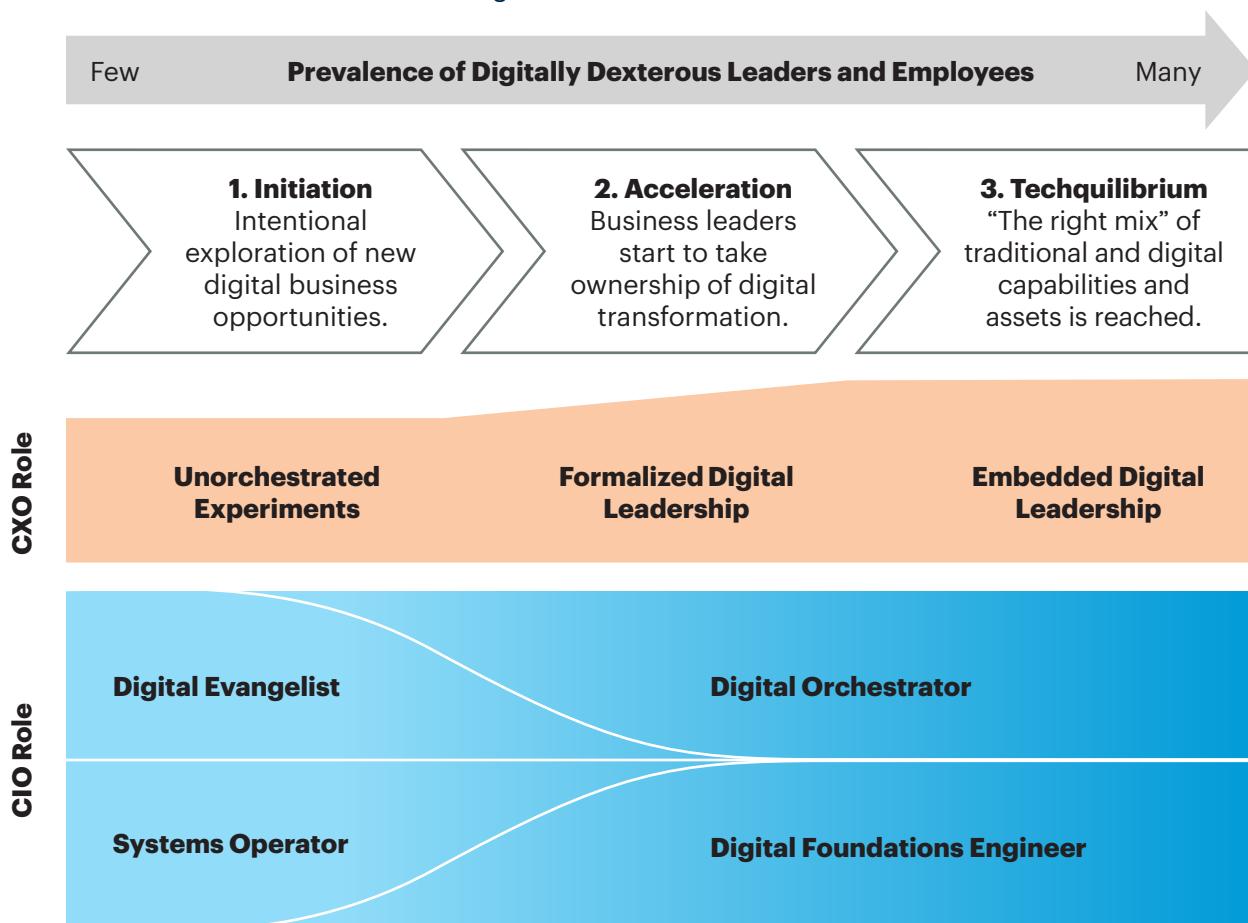
secure way. The new tasks include enabling new ways of working and the exchange of ideas and creating and managing capabilities that make technology production throughout the organization possible.

Together, business leaders and CIOs can form a formidable team that brings together diverse experiences and expertise to realize the full potential of their ambitions. But the journey to techquilibrium calls on company leaders to work together in new ways on four imperatives:

- Define your digital ambition
- Develop new mindsets and skill sets for leaders
- Boost all employees’ proficiency in digital skills
- Make it easy for all employees to do technology work

**Figure 1. Models for Enterprise Digital Leadership**

How Business Leaders' Involvement in Digital Business Affects the Role of the CIO



Source: Gartner

## Define Your Digital Ambition

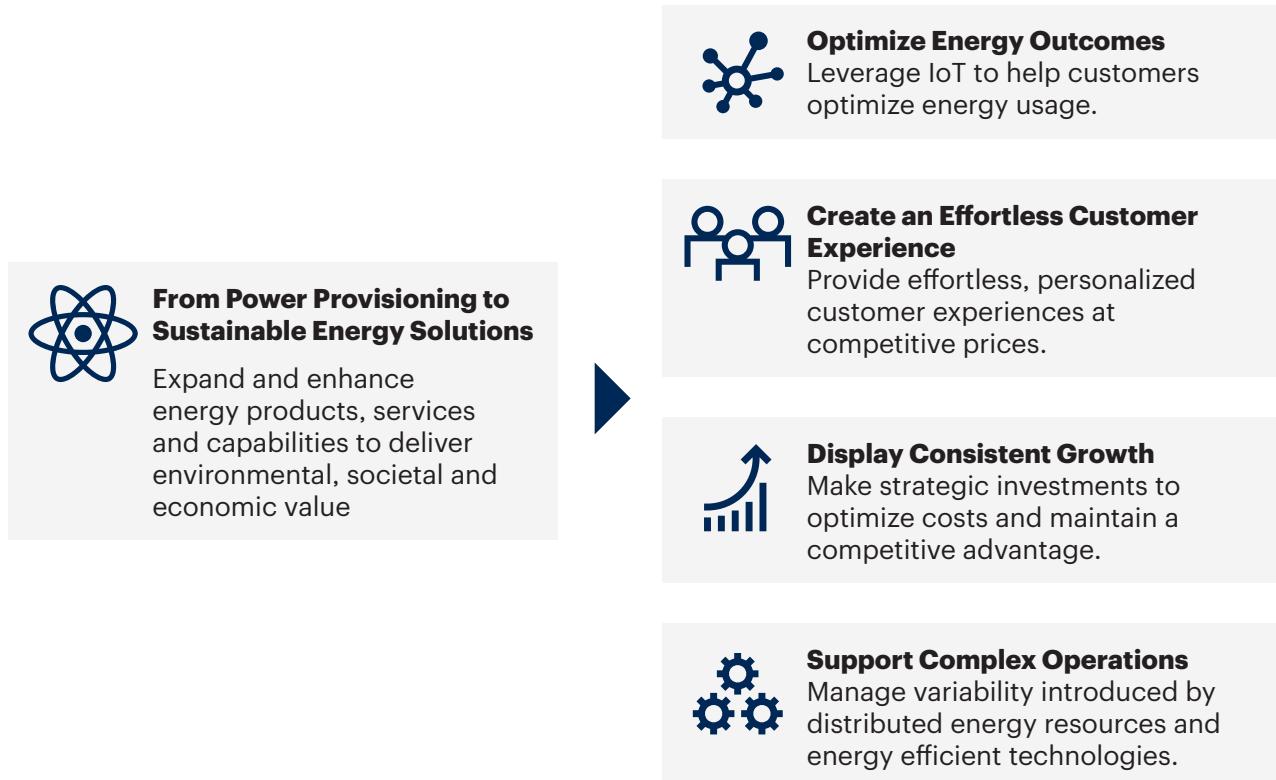
The best way to take action on this imperative is through a digital business narrative, a framework that provides clarity and direction about the organization's ambitions and helps align leaders and employees. CIOs and leaders outside IT should work together to create a consistent North Star, because without one, it will be hard to make any progress.

Companies looking to create a digital business narrative should start by evaluating their business model and asking where the heart of the company's digital transformation lies. For instance, is it in transforming the customer base, value proposition, financial model, capabilities or a combination thereof? This exercise will help steer leaders toward analytics and technology opportunities that will bring the most value to the organization and begin to illuminate the broader enterprise changes required to turn their vision into a reality. Once companies have a digital business narrative, it's important for leaders to

pressure-test it with a broad range of employees, to make sure it's relevant to their workflows, and customers, to make sure it aligns to their expectations.

The broader leadership team at Public Service Enterprise Group (PSEG), a U.S.-based energy company collaborated on a digital business narrative that communicated a new common enterprise mission: change the business model from selling as much power as possible to helping its customers save energy (see Figure 2). The CIO helped business leaders define and refine potential digital opportunities to lower customers' energy usage and improve functional performance. Leaders could use their narrative to formulate the top strategic priorities, underlying initiatives and operating model changes to help them achieve that vision. For instance, PSEG aligned cross-functional teams that blend IT and business domain expertise to their business transformation goals, such as "energy efficiency," which enabled employees to focus on the customer outcomes that mattered most.

**Figure 2. PSEG's Digital Business Transformation Narrative and Goals**



Source: Adapted From PSEG

## Develop New Mindsets and Skill Sets for Leaders

To prepare business leaders to take greater ownership of digital initiatives, CIOs should work with them to develop and refine broader leadership development programs. This includes increasing their proficiency in digital channels, ecosystems, strategy and execution as well as managing digital products and revenue.

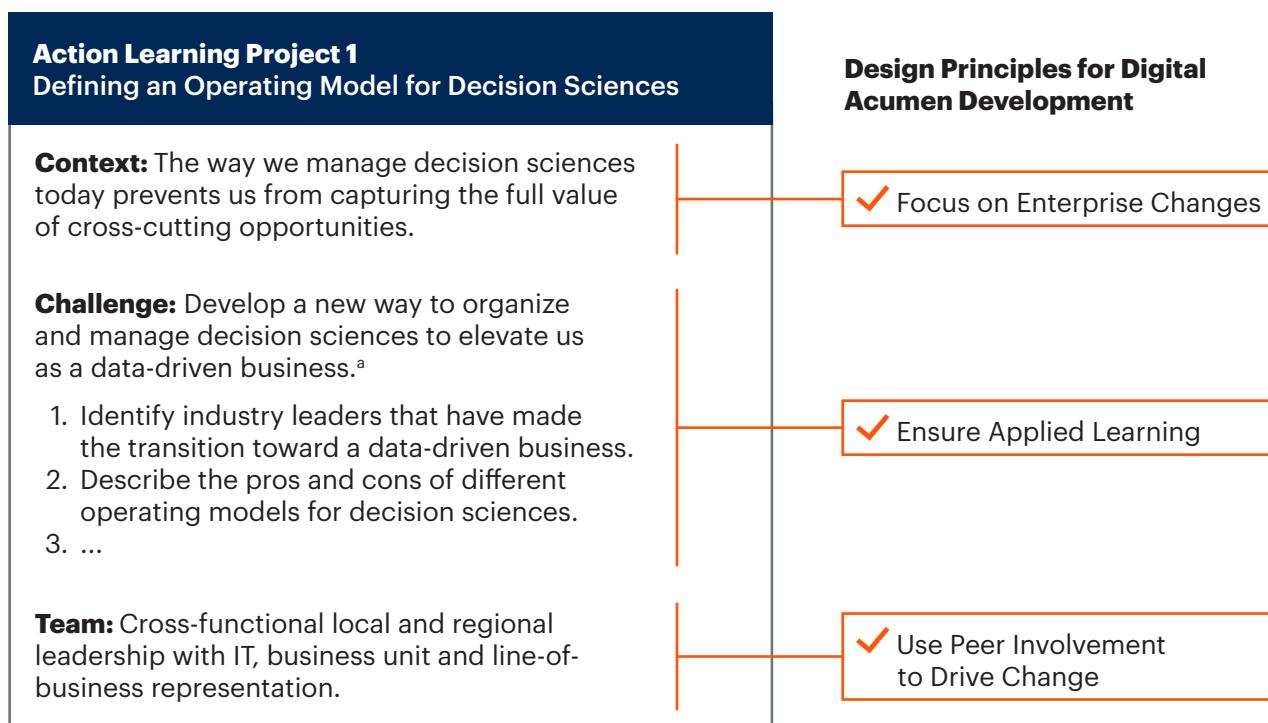
One way to do this is through hands-on learning experiences. Ageas, a financial services company in Belgium, underwent a digital transformation, but certain leaders in its Asian region did not fully understand the “what” and “why” of the change. Ageas’ HR team in Asia partnered with subject matter experts to orchestrate a “digital safari,” whereby leaders from throughout the organization visited external, digitally savvy companies, such as fintech startups, to experience and understand the benefits of modern-day digital leadership approaches. After the safari, HR facilitated

a debrief in which participants reflected on what inspired them most, discussed what they could apply in their roles and proposed projects where they could commit to trying the new approaches. For example, an R&D leader inspired by agile ways of working decided to guide her team through fast product iterations for a new chatbot.

When Monsanto (now part of Bayer), a U.S.-based crop sciences company, started a major digital business transformation drive, the CIO partnered with colleagues in HR, supply chain and commercial to create and embed a digital training program into the company’s standard leadership development curriculum (see Figure 3). The program brought together leaders from diverse functional areas to work on solutions to real-world challenges. Monsanto’s approach helped business leaders outside of IT build an understanding of potential analytics and technology opportunities and improved their ability to take greater ownership of seeing their ideas through to completion.

**Figure 3. Monsanto’s Leadership Digital Dexterity Development Program**

Illustrative



Source: Adapted From Monsanto

<sup>a</sup> Includes a partial list.

## Boost All Employees' Proficiency in Digital Skills

Successful leaders are only as good as their teams. Without sufficient digital skills across all functional areas, the company will struggle to reach techquilibrium. Business leaders and CIOs should work together to identify the skills necessary to accelerate their digital investments. This will mean refreshing skills frameworks, creating new development programs and hiring talent that already has the right capabilities.

At U.K.-based Unilever, business leaders are already taking the lead. The CFO worked with HR to outline the necessary digital skills for finance and mandated training for all levels of the finance team (even the CFO) to accelerate digital technology adoption and business transformation (see Figure 4). This included individual and group learning, a structured and unstructured curriculum, and an education network with leaders and social media tools to encourage long-term engagement in the program.

The CIO and broader IT leadership team can accelerate early digital skills development programs. For example, IT leaders at China-based Guangfa Securities focused on building enterprisewide data and analytics skills to support its new digital strategy. But after a successful first

year, management of the program migrated into the HR function, specifically to L&D executives.

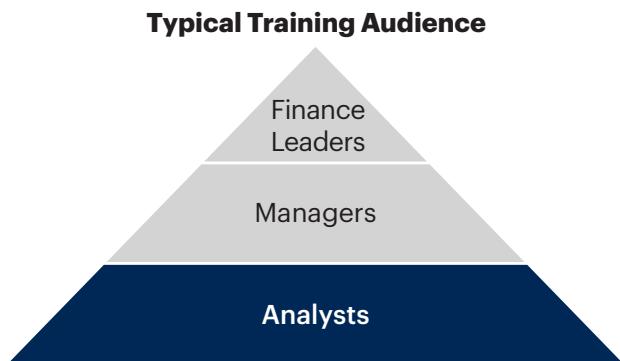
## Make It Easy for All Employees to Do Technology Work

CIOs and leaders outside IT must embrace the benefits of distributing digital responsibilities and establish a new technology model for the enterprise, not just for the IT organization (see Figure 5).

The new technology model for the enterprise should put in place structures and practices to facilitate the work of technology producers throughout the enterprise. This would include establishing communities of practice to help individual employees customize and build analytics and technology solutions for themselves. It should also include more formalized fusion teams, which blend the right business and technology domain expertise to deliver an outcome. In this structure, CIOs invest more of their time and attention in managing modernized digital foundations, which include business-enabling data and technology capabilities, such as self-service tools, repositories, marketplaces and integration, which technology producers throughout the enterprise require to perform their jobs.

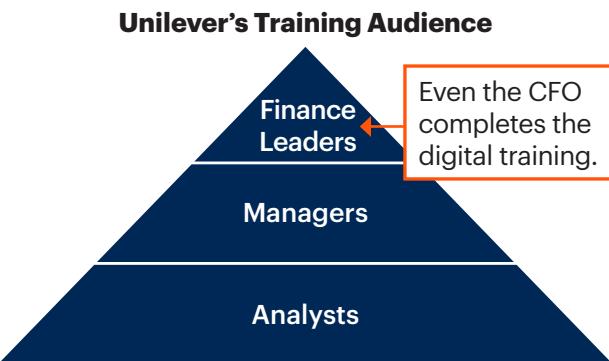
**Figure 4. Mandatory Digital Foundations Training**

Illustrative



### ✖ Uneven Development

- Finance employees treat digital skill building as a “nice to have.”
- Pockets of digital capabilities reduce finance’s ability to adopt and exploit digital technologies.



### ✓ Universal Digital Foundations Knowledge

- Leader participation signals importance for digital skill building throughout the finance team.
- Universal digital knowledge increases adoption of digital technologies and promotes experimentation and innovation.

Source: Adapted From Unilever

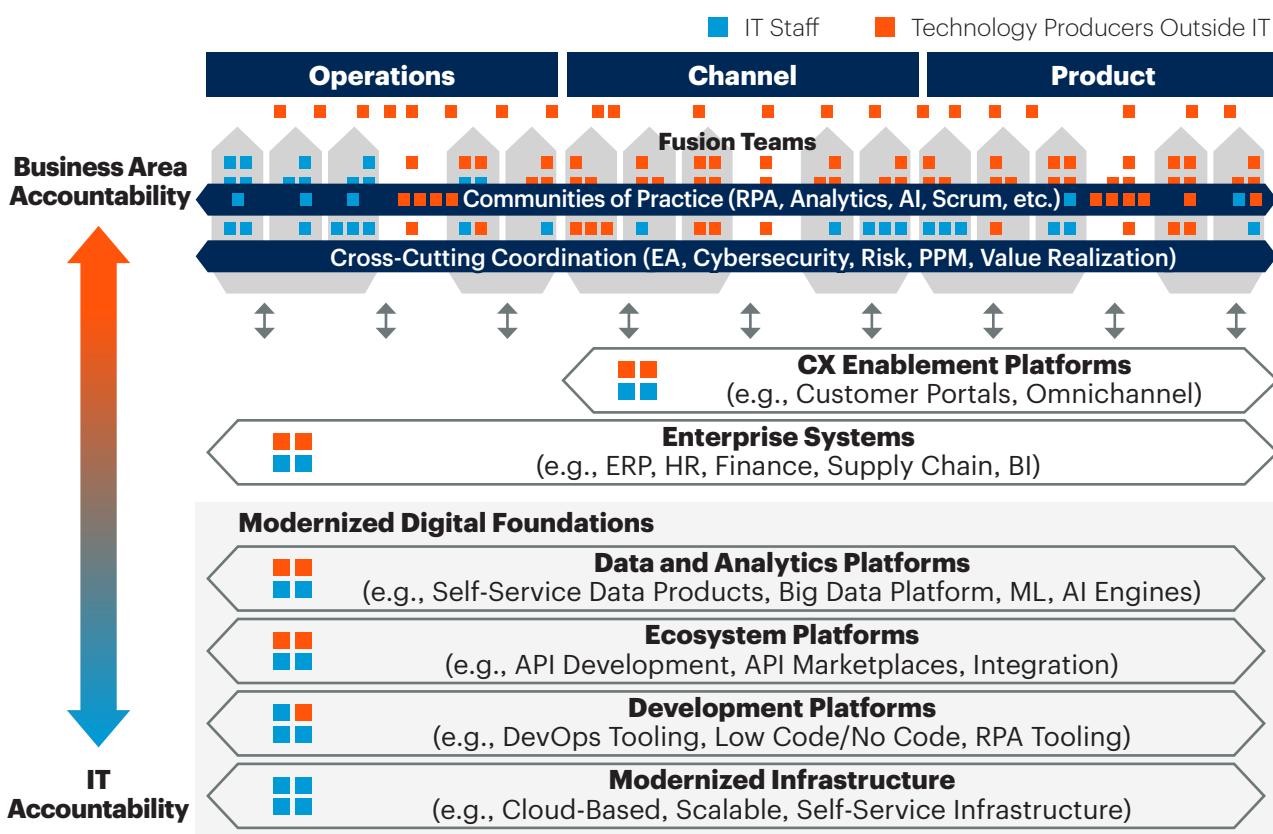
This model can't be achieved overnight and is more than just reconfiguring roles and team structures. It requires a fundamental rethink as to how work gets done in the enterprise, as legacy ways of working, mindsets and processes can impede digital business. Nationwide Building Society, a mutual financial institution based in the U.K., recognized this challenge and established a "Ways of Working (WoW) Enablement Center" within the COO's organization to speed up the underlying process and behavior changes required to advance digital business. The WoW enablement center is a dedicated team of 40 employees who work with fusion teams and their stakeholders (such as IT, finance, HR, risk and controls, and compliance) to co-create new working practices and enterprise processes. For example, the WoW enablement center put security and compliance experts in fusion teams to co-create new ways of working and reduce the barriers legacy processes created to technology work outside of IT.

All leaders must demonstrate that digital is a core part of their responsibilities and take the steps to create an environment where a more distributed approach to data and technology can flourish. This will send a clear signal that frontline employees must also take a greater role in helping the organization achieve its digital ambitions. The entire enterprise must pull together to effectively scale and refine digital investments faster than the competition.

<sup>1</sup> The 2021 Gartner CIO Survey was conducted online from 14 July through 14 August 2020 among Gartner Executive Programs members and other CIOs. Qualified respondents are each the most senior IT leader (CIO) for their overall organization or a part of their organization (for example, a business unit or region). The total sample is 1,877, with representation from all geographies and industry sectors (public and private).

## Figure 5. New Technology Model for the Enterprise, Not Just IT

Operating Principles When There Are More Technology Producers Outside IT Than Inside IT



Source: Gartner

# Briefs

## Smarter Spending & Planning

### Stop Sacrificing Higher Returns for a Faster Payoff

As of September 2020, 61% of companies admitted to prioritizing fast payback ahead of higher returns.

That's understandable on the surface: Longer payback periods mean greater uncertainty (i.e., risk), leading budget owners to pursue smaller, more familiar investments. Senior leaders evaluating investments tend to require a lower hurdle rate (minimum rate of return) if the payback period is shorter, making short-term investments more enticing.

There's a big problem, though, with that kind of thinking. When the average company's return on capital is low (as it is now), taking on calculated risks is precisely how companies outperform their peers.

The influence of the payback period is subtle because it is almost always used alongside other metrics. To combat overweighting, prioritize forward-looking metrics such as net present value and internal rate of return. Return on investment can be a good supplement to ensure projects don't just break even quickly, but ultimately generate enough profit relative to resourcing involved.

Of course, shorter payback periods rise in importance when the company's financial strategy focuses on managing liquidity risk.

Consider asking each member of the investment approval committee to rank metrics anonymously and weight the scorecard accordingly to reflect their priorities.

— Emily Riley

### Tactics to Get Wary Stakeholders on Board With Zero-Based Budgeting

If you are among the finance leaders giving zero-based budgeting (ZBB) renewed attention, avoid presenting cost reduction as your sole aim for the initiative. It won't resonate with many budget owners — and it may lead to resistance.

Try these targeted change management tactics:

1. To guide your thinking as you design your messaging, start by documenting four important points: what's in it for them, the connection to corporate strategy, the urgency driver and your underlying rationale for both pursuing ZBB and the scope you decided on.
2. Don't shy away from tackling negative stakeholder views — for instance, that ZBB is only about cost cutting or that it's too time consuming. Address anxieties during group

conversations where participants can air their concerns and discuss potential solutions.

3. Check in along the way with quick polls asking about their satisfaction with the ZBB process, support from FP&A, and tools and templates you've provided.
4. To shore up budget owners' confidence in their ability to carry out ZBB, prompt them to think about times they've already applied the skills they'll need now. Share examples of peer ZBB successes.
5. Reinforce your training by showing them how to find help, such as contact details and useful links.

— Jessica Kranish

## Talent & Culture

### Voluntary COVID-19 Vaccine Programs Are Popular Among Employers, but Not Risk Free

Only 8% of organizations on both sides of the Atlantic plan to require inoculation against COVID-19 before an employee can return to work, according to our December and January surveys of 236 legal, compliance, privacy, HR and real estate executives.

They have some doubts on the moral front — for instance, 53% of HR leaders disagree or strongly disagree that a vaccine mandate is ethical. They also have questions about effectiveness and side effects. And enforcement is difficult when these immunizations are only available under certain conditions set by governments.

Instead, employers expect to:

1. Encourage employees to get vaccinated (71%)
2. Explain where and how to get the injections (61%)

3. Communicate the vaccine's benefits (52%)
4. Cover or subsidize the costs for workers (45%)

Facilitating workplace vaccination programs — even if they are voluntary — can pose different risks or these treatments than arranging for flu shots would.

Employment lawyers told us companies should:

1. Let employees choose which regimen they'll receive if multiple brands are available.
2. Put onsite clinics in a private setting to avoid harassment over employees' choices, as seen with mask-wearing.
3. Solicit early input from cross-functional leaders and employees on workplace vaccination and consider their views.

— Dian Zhang

### Ten Ways Managers Can Keep Their Teams Connected During Another Year of Crisis

Disruption amplifies the need to keep team members connected to each other, so managers must be more intentional about building trust and inclusion:

1. Share information proactively with the team and gather members' input before making decisions that affect them.
2. Agree on what information can be shared outside the team.
3. Acknowledge the limitations of decision making based on your perspective alone and frame the team's work as an opportunity to learn from new perspectives.
4. Clarify the best ways for employees to reach you and prioritize the team's requests when they arise.
5. Proactively ask employees whether they are facing any challenges or barriers, and if they need extra support.

6. Reiterate common goals and articulate the unique value each team member brings to the success of that mission.
7. Reinforce the expectation that teammates be open to new information and feel respected, particularly during uncomfortable conversations or moments of conflict.
8. Recognize specific successes and talents during team meetings, including those that result from acting inclusively.
9. Promote recognition outside the team.
10. Never assume. Help team members avoid assumptions too. Identify (and clarify) areas of potential disconnect such as deadlines, resource constraints and competing agendas.

— Royce Brosseau

# Briefs

## Growth & Innovation

### Data and Analytics Is the Executive Leader's Secret Weapon in M&A

Corporate directors say they anticipate, on average, a 3.3% increase in funding for mergers and acquisitions (M&As) in 2021, second only to IT. Yet deals often fail to fully deliver on their business cases.

Data and analytics (D&A) offer a significant opportunity for improvement and impact. Executives involved in M&A transactions should press forward on two fronts.

Change the conversation at the board level:

1. Highlight the impact of data assets on valuation — for example, customer information held by airlines has been assessed higher than their market cap in at least two instances.
2. Promote D&A as a strategic instrument throughout the M&A life cycle. Ask questions such as “What failed during past transaction

execution, and how could data and analytics have helped with this process?” “How are we measuring the success of M&A transactions?” and “How can we model risk scenarios for information integration early and plan for such events?”

Build an M&A-ready “SWAT team” for data and analytics:

1. Train the team on the M&A process, the organizational challenges faced by senior leaders and the conventional ways to address these.
2. Present a compelling vision and let the team come up with innovative options to achieve it using existing capabilities.

— Saul Judah

### Strategic Foresight on the Back of a Napkin

Thinking about the future doesn't need to mean a complex analysis such as scenario planning where inputs can quickly become outdated — especially during turbulent times. Whether you're a CEO, CIO, corporate strategist or R&D leader, generate a culture of foresight throughout the organization.

“The frameworks of foresight should be easy,” Amy Zalman, former CEO of the World Future Society, told us. “You should be able to draw it on the back of a napkin.” Don't worry about hunting opportunities or reaching decisions right away. Concentrate on brainstorming and uncovering potential consequences of change.

A recommendation from Scott Smith, founder of consulting firm Changeist: Ask a team to

suggest potential signals of disruption and hold a 90-minute meeting to talk about why those are important. This exercise gets staff in the habit of observing and reporting shifts.

Or try these more structured activities:

1. Implication mapping — Jot down the main effects of a central event and gradually build out the potential impacts of those impacts.
2. Context mapping — Convene a group to consider eight characteristics of an emerging problem. Traits that prompt the most discussion or disagreement can help home in on critical uncertainties and highlight areas for further exploration.

— Steve Shapiro

## Data & Technology

### How to Talk to the Board About Cyberwar

As the SolarWinds infiltration shows, geopolitical cyber incidents are starting to cross over into the civilian realm more often. Security and risk management leaders need to know how to discuss these events with their board in a productive way.

It can be daunting to talk to directors about cyberwar and cyberespionage but using current events to frame these conversations is a way to build interest in the cybersecurity program and focus on the top risks facing the enterprise without sensationalizing the threat.

CIOs, CISOs and other presenters should follow four principles:

1. Break down the event in your preferred security framework, then indicate steps you've taken or

plan to take to protect against a similar attack. Every part of the presentation should work toward building credibility as a leader.

2. Whatever security framework is preferred, make sure to use the same one in every conversation with the board.
3. Measure the organization against clear benchmarks instead of talking about every risk associated with an incident.
4. Don't sow fear, uncertainty or doubt. Explain only major security gaps coupled with solutions. Include disaster recovery plans and detail partnerships with industry groups and government authorities, including law enforcement.

— Phillip Shattan and Toms Bernhards Callahan

### Two Way Audio-Visual Cameras Helped This Audit Team Verify Inventory From Afar

When they can't travel, how can functional leaders confirm the existence and condition of physical inventory? Such checks are generally required when the product is material to financial statements. Confronted by COVID-19 safety concerns and lacking guidance from industry leaders, the chief audit executive (CAE) at a petroleum company turned to a two-way audio-video camera for long-distance observations.

The CAE chose RealWear because it is head-mounted, enables two-way communication and maintains connectivity across multiple paths. Local refinery staff need both hands to climb tanks rising 40 to 60 feet high and have no room for miscommunication. The IT emerging technology group had already used the device for training.

In three weeks, the audit team familiarized on-site staff with the technology, tried a test run and completed the observation. After watching two pilots, the company's external auditors endorsed and followed this methodology.

The CAE shared four lessons:

1. Look internally first for solutions with available expertise.
2. Keep the camera steady; don't blur the evidence.
3. Avoid distracting the camera operator; designate one person to speak on behalf of the remote team.
4. Send extra batteries ahead.

Even post-pandemic, the CAE plans expanded use of remote technology.

— Laura Reul

