As Sanctions Go Global, Compliance Gets Complicated
Partnering With Startups for Nimble Innovation

Good Process Inhibits Great Planning

Proven Guidance for C-Suite Action
Second Quarter 2022
Letter From the Editor

This issue of Gartner Business Quarterly is for the executive who sighed, during a conversation, about “the five minutes between omicron and the invasion” and for the corporate leader who told us his company isn’t preparing for “the new normal” or even “the next normal” — in his words: “it’s going to be the ‘never normal.’” Our core collection of short articles is for every organization where the crisis management committee seems to sit on permanent high alert.

The successive catastrophes of the past two years transcended any one region — more than 6 million killed by COVID-19, more than 5 million refugees fleeing Russia’s invasion of Ukraine, untold levels of exhaustion and stress. Meanwhile, climate change is here. These thunderbolts hit far more than business, of course. Still, they raise a host of basic questions for large and mid-size enterprises, private and public alike. How will organizations protect employees, customers or suppliers (can they prioritize all three)? Where in the world will they operate and sell their services and goods? Can they still propel prosperity and growth?

To cope and thrive through recurring major shocks, you’ll need to break down more walls and build more bridges — get used to letting others inside and outside of your enterprise see deeper into your operations. We’ll show you how. You should — and this may be surprising advice — shrink your supply chain so it presents a smaller target for disruption. And you must keep spending for the future — we’ve got examples of how companies are doing that creatively.

You’ll learn from the real-world experience of a global group of organizations including Allianz, First Solar, Ofwat, Repsol, Stanley Black & Decker, Sunbelt Rentals U.K. and Stora Enso.

GBQ helps you align with others and reach peak effectiveness, so your enterprise 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 is a look at provocative new data; Briefs offer short takes about smarter spending and planning, talent and culture, growth and innovation, and data and technology.

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

— Judy Pasternak

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To compensate for heightened uncertainty, organizations are asking more people to review more data more often. Don’t stifle participants with added templates and meetings; strategic planning requires creativity and effort. Strategy leaders at progressive companies use tactics that offer more leeway.

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Chief supply chain officers can’t control the number of risks when they’re rocked by a seemingly endless series of seismic events. The typical action plan for unforeseen scenarios — responding to each one in turn and building resilience through backup suppliers or increased inventories — is no longer good enough. But CSCOs can limit their exposure in a surprising way.

18 The Transparent Enterprise Builds Trust to Weather Storms

Beyond the now-ubiquitous environmental, social and governance (ESG) report, organizations are publishing deeper dives into their water use, workforce diversity, supply chain labor practices and management of the personal data they collect. These disclosures have become critical building blocks of trust — vital to weathering external shocks that keep organizations asking investors, customers, regulators and employees to understand tough decisions to delay deliveries, raise prices, close retail outlets or freeze pay.
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24 Guide the Business to Realign Operations When Strategic Priorities Shift
In times of turmoil, CFOs may fail to make a difference even if they wrestle funding away from capital uses that are fast losing value and surge large amounts to newly important initiatives. Capital pivots won’t work unless the people, technology and other capabilities that spending supports also flow to support execution. Only 32% of finance chiefs say their organization’s operational budgets are highly responsive to changes in strategic priorities. So they need to make allies in business units.

28 How Major Shocks Affect Employees — And How You Can Support Them
As long as businesses maintain multinational operations, they will experience significant shocks that rattle most — if not all — of the talent required to keep the enterprise running. Yet organizations can plan for and mitigate these effects; HR, the crisis management team, communications and every functional head and manager each play a role.

32 3 Steps Data and Analytics Leaders Should Take During a Crisis
When a crisis strikes, new streams of information can save the day. Data and analytics leaders to the rescue! To offer swift support and make a big impact, set up your team to triage projects, connect critical data trapped in business units and quickly create tools to help solve urgent problems.

36 As Sanctions Go Global, Compliance Gets Complicated
Even for businesses that have significant experience with international trade and transactions, complying with sanctions against Russia and Belarus for the invasion of Ukraine is complicated by the sheer number of participating governments and the variety of regulations that apply. Here are some tips to keep up – this time and whenever a global sanctions coalition takes shape.

40 Partnering With Startups for Nimble Innovation
Executive leaders must position their organizations to rapidly implement transformative ideas. Stora Enso came up with rules of engagement for partnering with startups that led to more than 26 new products in three years.

44 A Digital Twin of a Customer Predicts the Best Consumer Experience
Customer understanding and compassion were center-stage for organizations during the height of the COVID-19 pandemic. That’s because they were forced to look at things differently and accept that buying habits have changed. Executive leaders can respond by extending the concept of “digital twins,” common in manufacturing, to drive revenue, engagement and loyalty, increasing efficiency while also feeding insights into new product and service development.

52 The Whiteboard: Big Questions to Ask About What Comes After Digital Business
Despite the buzz, the metaverse has not yet reached its time. Another phase, autonomous business, must pave the way. Pioneering companies are starting to stitch together AI-enabled networks of programs and robots that write contracts, manufacture goods and sell services — with each component self-adjusting output as circumstances change. Let’s head to the whiteboard and sketch out how to lift the entire enterprise to new peaks of efficiency.
Two Tectonic Shifts in CEO Priorities: The Workforce and the Environment

CEOs’ strategic business priorities have changed notably: the workforce has risen to third place, and the environment made the top 10 for the first time. Such dramatic shifts have only happened once before in the 15-year history of the annual survey — during the 2008-2010 financial crisis, when controlling costs rose above growth.

### CEOs’ Top 10 Strategic Business Priority Areas for 2022-2023

<table>
<thead>
<tr>
<th>Category</th>
<th>Change From 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>▼ 8%</td>
</tr>
<tr>
<td>Tech-Related</td>
<td>▼ 5%</td>
</tr>
<tr>
<td>Workforce</td>
<td>▲ 32%</td>
</tr>
<tr>
<td>Corporate</td>
<td>▼ 5%</td>
</tr>
<tr>
<td>Financial</td>
<td>▼ 27%</td>
</tr>
<tr>
<td>Products and Services</td>
<td>▲ 43%</td>
</tr>
<tr>
<td>Customer</td>
<td>▲ 26%</td>
</tr>
<tr>
<td>Environmental Sustainability</td>
<td>▲ 292%</td>
</tr>
<tr>
<td>Cost</td>
<td>▼ 24%</td>
</tr>
<tr>
<td>Sales</td>
<td>▲ 77%</td>
</tr>
</tbody>
</table>

n = 410, all respondents

Source: 2022 Gartner CEO and Senior Business Executive Survey

Q: Please tell us about your organization’s top five strategic business priorities for the next two years (2022-2023).

Note: The “corporate” category refers to business changes such as M&A, strategy refresh and restructuring. The “financial” category includes mentions of cash flow, balance sheet health and profit margins.
Balancing the Needs of Internal and External Talent — A Challenge for CEOs

The proportion of CEOs increasing investment is rising across the board, in areas including digital capabilities, product enhancements, sales and marketing. The sharpest investment increase is for hiring new staff.

CEO Intent to Increase Investment in 2022
Change Year Over Year

85% Digital Capabilities
65% Product Enhancement
63% Staff (Hiring)
60% Sales
50% Marketing
43% Supply Chain

n = 410, all respondents
Q. Compared to fiscal year 2021, how will your organization’s investments in the following business areas change in fiscal year 2022?
Source: 2022 Gartner CEO and Senior Business Executive Survey

CEO mentions of “recruitment” and “retention” as workforce priorities tripled and doubled, respectively, compared to last year. Internal talent management efforts such as people development, culture change and employee engagement have taken a back seat.

CEOs’ Top Workforce Priorities for Their Heads of HR in 2022

- Talent/Employee Retention: 15% (2022); 8% (2021)
- Recruitment/Hiring: 12% (2022); 4% (2021)
- Talent Attract/Acquire: 10% (2022); 8% (2021)
- Talent/People Development and Management: 10% (2022); 6% (2021)
- Hybrid/Remote Work and Culture: 6% (2022); 3% (2021)
- Culture — Defend/Improve/Change: 6% (2022); 5% (2021)
- Diversity, Inclusion and Equity: 5% (2022); 4% (2021)
- Employee Engagement/Motivation/Morale: 5% (2022); 5% (2021)
- Skills/Learning/Training: 5% (2022); 3% (2021)
- Leadership and Management Development: 3% (2022); 2% (2021)

n = 305 (2022); 465 (2021)
Source: 2022 Gartner CEO and Senior Business Executive Survey; 2021 Gartner CEO and Senior Business Executive Survey
CEOs View Environmental Sustainability as a Competitive Differentiator

Over the next two years, most CEOs plan to invest in new and superior products and services —– the prime source of competitive differentiation.

Top Sources of Competitive Differentiation According to CEOs

1. Superior/new products or services
2. Customer experience
3. Technology

80% of CEOs intend to invest in new or substantially improved products in 2022-2023.

They say sustainability is the third factor driving these investments, behind functional performance and quality.

Top Three Factors That Drive the Need for New or Improved Products

Multiple Responses (Up to 3)

- Purpose/Function/Performance: 62%
- Quality/Consistency: 47%
- Environmental Sustainability: 40%
- Price (Cost to Customer): 38%
- Regulatory Compliance: 23%
- Safety/Security: 22%
- Branding/Packaging: 17%
- Design/Aesthetics: 11%
- Other: 12%
- None of the Above: 1%

n = 245, willing to invest in new or substantially improved products in 2022-3 (wave 2 only)

Source: 2022 Gartner CEO and Senior Business Executive Survey
When a crisis or opportunity hits, most general counsel consult with the C-suite before deciding whether to escalate it to the board.* Just 38% evaluate the issue against predefined escalation triggers, suggesting ample opportunities to improve the objectivity and reliability of the process.

A good place to start is to review your company’s escalation triggers related to the top emerging risks for this year.

### Top Emerging Risks for 2022

<table>
<thead>
<tr>
<th>Rank</th>
<th>Emerging Risk</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Ransomware Models</td>
<td>The risk of increased operations or revenue vulnerability to evolutions in ransomware practices.</td>
</tr>
<tr>
<td>2</td>
<td>Postpandemic Talent</td>
<td>The risk of retention and recruiting issues resulting from a failure to meet employees’ preferences.</td>
</tr>
<tr>
<td>3</td>
<td>Supply Chain Disruption</td>
<td>The risk of increased supplier vulnerability to extreme weather events, pandemic-induced lockdowns, and cyberattacks.</td>
</tr>
<tr>
<td>4</td>
<td>Inflationary Pressures</td>
<td>The risk that increased prices of goods and services will raise business costs and customer and employee buying power.</td>
</tr>
<tr>
<td>5</td>
<td>Macroeconomic Downturn</td>
<td>The risk that a macroeconomic downturn could negatively impact revenues and the ability to raise capital.</td>
</tr>
</tbody>
</table>

*Respondents were asked to select all that apply.

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*Source: 2022 Gartner Emerging Risks Survey (February-March)

Note: Ranking in order by ‘Risk Score,’ calculated as SQRT (Impact x Inverse Time Frame) x Frequency Selected as Top-10 Emerging Risk by respondents.
2022 CIO Agenda

Create an Action Plan to Master Business Composability

Develop the skills you need to excel in business composability.

It’s time to master business composability. The “new normal” is disruption. It’s not enough to simply add new technology in an attempt to create modular business pieces. The changes must be strategic, and they must be scaled across the organization.

The 2022 Gartner CIO and Technology Executive Survey shows that companies displaying high business composability deliver superior business performance, especially in volatile conditions.

Download our eBook to:

- Learn how business composability drives growth.
- Assess your current business composability level.
- Make an action plan to improve your composability score.

Download eBook

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Good Process Inhibits Great Planning

by Marc Kelly

About a quarter of the way through 2020, senior business leaders replied to a routine question: How long will the COVID-19 pandemic disrupt normal operations? Their responses revealed a clear consensus: September, maybe October, of that year. Of course, they were wrong. Infectious high tides still cascade around the world while the inflationary, social and scarcity aftereffects of prior waves continue to reverberate. Our collective crystal ball has rarely been quite so cloudy for so long — and executives are now well-aware of that.

Throughout the C-suite, they report struggles to plan for 2022, which could mean gaps in the ability to collaborate and move the whole organization forward. Even in a future-focused function such as R&D, less than half of executives said they understand the market potential for emerging technologies over the next 12 to 18 months. Nearly half (47%) of CFOs told us their hardest challenge is integrating strategic planning with financial planning; two-thirds of financial planning and analysis leaders see significant difficulty there.²

Increasing Reliance on Planning (and Replanning)

Typically, to compensate for the heightened level of uncertainty, companies are entering a near continuous state of strategic planning. Interviews with dozens of senior strategy leaders show they tend to alter planning efforts along three dimensions.

1. **Frequency of Market and Performance Reviews**
   Strategy spend and efficiency benchmarks compiled at the end of 2021 show many activities at the core of planning efforts now occur quarterly, even monthly (see Figure 1).

2. **Number of Data Points and Trends Tracked**
   The number of monitored market trends nearly doubled since 2018 and 2019, with several strategists telling us the amount has quintupled.

3. **Participants in Planning Forums**
   Companies have expanded functional and frontline representation to widen decision makers’ perspective regarding potential knock-on effects of plan changes.
These Well-Intentioned Efforts Do Not Help

The rationale for more people formally reviewing more data more often is that companies can become more responsive. And while these changes improved alignment and overall understanding of strategic objectives, they’ve come at a tremendous cost.

Seven years ago, the weekly planning load on executives and their teams was 10.1 hours per week.\(^3\) Given the significant jump in status meetings and review sessions, we now estimate that leaders spend 15 to 20 hours a week on planning-related activities.

The spike in frequency and depth of planning activities, however, has not translated where it counts: faster and higher-quality planning changes. Strategy leaders tell us their concerns about the efficacy of their chosen strategic plan — and its speed of development — topped the list of their priorities for 2022.

Even if we wake from the nightmares of the past few years, we won’t sink back into a slower market pace. As data, and our ability to use this data, flourishes, ever smaller units of planning can be effectively managed and manipulated, making it easier to identify the impact of micro effects in markets. Combined with greater reliance on AI and other decision-making tools, the temptation of reviewing and changing plans based on more frequent updates will continue to escalate.
The Problem Is Our Process Mindset

To manage the increasing frequency and effort of planning, senior leaders seek to increase the efficiency and uniformity of planning. Can greater regularity and precision lead to faster response times?

Sadly, the answer is no. Several characteristics indicate that a corporate activity can be easily turned into a process. Successful planning doesn’t share these traits (see Figure 2).

Given the chasm between good process and good planning, executive leaders face a difficult choice. Do they attempt to subvert planning so it acts more like a process, or try to find planning workarounds to paper over the discrepancies? For most, the answer is a little of both — the quintessential compromise that leaves no one happy. Even during more stable times, business leaders told us that 56% of their strategic planning time was wasted.³ This is not where you want to be when you need answers to the organization’s most existential questions.

Progressive Companies Think About Planning as a Product

Thankfully, these discrepancies have moved progressive companies away from thinking about planning as a process and more about planning as a product: solutions for achieving corporate goals.

The value of a process is that it’s repeatable and delivers reliable results when followed. Value for strategic planning, however, stems from the creativity and effort participants are willing to put into novel issues that crop up unexpectedly. A process that makes each instance seem like the one before will stifle initiative and inspiration.

Planning as a product emphasizes the experience and needs of the customer — in this case, the leaders and managers who must be involved. The guiding metric is no longer process efficiency or effectiveness, but rather engagement levels. Consequently, the timing, scope and focus of planning activities start to change radically.

This involves a major shift — away, not just from annual planning cycles but planning cycles in general. Progressive strategy shops disaggregate planning activities according to individual trends, business lines and problems. These take place when teams are ready to make changes, rather than when new information first becomes available. Finally, they create “clean sheet” outputs, rather than reusing specific templates.

As a result:

• Leaders are significantly more engaged in conversations, leading to higher-quality decisions.

• Discussions are held when the business is in the best position to move, leading to fewer delays.

• Time taken for planning activities is overall reduced.

In fact, emphasizing product over process triples business readiness to engage in planning — proactively making recommendations and decisions, fully considering context, anticipating

Figure 2. Where Good Process Fails Strategic Planning

<table>
<thead>
<tr>
<th>Good process design relies upon ...</th>
<th>... whereas planning during uncertainty often results in ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear and objective outcome quality</td>
<td>Ambiguous and subjective quality measures</td>
</tr>
<tr>
<td>Uniform inputs and outputs</td>
<td>Changing market indicators and actions</td>
</tr>
<tr>
<td>Predictable starting and endpoints</td>
<td>Uneven timelines and nonsynchronous requirements</td>
</tr>
<tr>
<td>Consistent methods, tools and criteria</td>
<td>Custom frameworks and decision criteria</td>
</tr>
</tbody>
</table>

Source: Gartner
how to fast-track support for changes. The payoff for that kind of motivation is speed; it’s three times more likely that plans will change swiftly.  

**Overcoming the Inherent Barriers of Planning as a Product**

For all the benefits, this new perspective on planning can be difficult to put into practice. Three steps will ease the way.

**Sense True Planning Needs**

Don’t start by asking senior executives about their planning needs, even though it seems like a perfectly reasonable first step. Why? Business leaders fail to articulate their decision points. To overcome this lack of visibility, progressive strategy shops map out likely decision paths that the business takes for granted.

**Coordinate With Other Core Processes**

Over 70% of strategy leaders cite potential conflicts with financial management practices as the primary inhibitor for adaptive planning practices. Given the importance of springing planning from its mechanistic process, strategy and finance leaders have begun crafting solutions to break this apparent trade-off. Rolling forecasts, budget scenarios (as opposed to strategic scenarios) and increased spending freedom for managers based on past budget effectiveness can disassociate planning activities from ongoing financing.

**Manage Coordination Costs**

Finally, product-based planning is not without costs. Custom decision cycles and specialized reporting can add to the administrative burden for strategy and also result in coordination issues for the business. After all, planning, even accomplished in a variety of ways, must still keep the organization moving toward its long-term goals.

To manage non-process-based planning, progressive companies use:

- Wiki-like online strategy documentation housed in the cloud
- Measurement proxies to allow for comparison between dissimilar types of planning
- Reallocated planning responsibilities between the business, strategy and other support functions such as finance

These tactics let the strategy team check that the whole enterprise is staying on track.

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1. Gartner’s Aggregate 2020 CFO/CSO Peer Discussion Forum Poll
2. 2021 Gartner Capital Allocation Survey, n = 100 CFOs
3. 2015 Gartner Strategic Planning Survey, n = 464
4. 2022 Gartner Strategy Adaptive Planning Survey, n = 140 CSOs and 96 business unit and functional leaders
5. 2019 Gartner Strategy Functional Benchmark Survey, n = 47 strategy leaders
To Reduce Disruptions, Make Your Supply Chain a Smaller Target

by Jessica Kranish and Suzie Petrusic

Over the last few years, companies have sometimes faced several seismic events at once (see Figure 1). And while supply chain leaders spend significant time and effort to assess and mitigate known threats, they can’t predict every one in advance. That’s why the typical action plan for these unforeseen scenarios — responding to each one in turn and building resilience through backup suppliers or increased inventories — is no longer good enough.

Another step is necessary. Companies must also reduce the number of disruptions they experience in the first place.

Figure 1. Globally Pervasive Risks
Global Risk Presence (Selected)

<table>
<thead>
<tr>
<th>Year</th>
<th>Risk Event</th>
<th>Year</th>
<th>Risk Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Record-Breaking Hurricane Season</td>
<td>2020</td>
<td>Record-Breaking Wildfire Season</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>China Energy Crisis (2021)</td>
<td>2021</td>
<td>Colonial Pipeline Cyberattack</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(2021)</td>
</tr>
<tr>
<td></td>
<td>Suez Canal Obstruction (2021)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2022</td>
<td>Japan 7.3 Earthquake (2022)</td>
</tr>
<tr>
<td></td>
<td>European Gas Crisis (2022)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Russian Invasion of Ukraine (2022)</td>
</tr>
</tbody>
</table>

Source: Gartner

Note: Unfamiliar risks are where the supply chain has little or no helpful past experience, usually regional or global, to address such events.
Reduce Risk Events to Minimize Your Exposure

It may sound impossible, but a select few have done this — and they undergo less than a third of the disruptions that others do, according to our survey of 262 supply chain leaders, complemented by 70 interviews with chief supply chain officers.¹

Their insight is to make your supply chain a smaller target — cut down on your physical footprint (e.g., number of suppliers, number of manufacturing sites) and the movement within it (e.g., fewer processes, fewer shipping lanes) — and you’ll reduce your exposure. While you can’t control the number of risk events that occur, you can influence how many affect your company. How? Cut them out of your supply chain before they hit.

Reducing the number of these disruptions isn’t an imperative for just supply chain teams. Business leaders need to play their part, too, adding in the cost of these incidents when determining the potential savings associated with a change, or pursuing innovation in a way that doesn’t make your supply chain a bigger target. If everyone in the business prioritizes this strategy, the company is much less likely to end up on the back foot trying to respond when these events occur.

One important caveat: There is, of course, a limit to making your supply chain a smaller target. Extreme consolidation will expose you to a single catastrophic event, so you’ll need to find the right balance instead.

Why Shaping the Rate of Disruptions Beats Mitigating Them

Companies that make themselves a smaller target, compared with those responding piecemeal to challenging situations, can shape the rate of disruptions they experience (see Figure 2).

Crucially, both types of companies pursue the same strategic objectives: managing risk, optimizing costs, innovating constantly and meeting customer expectations. What’s different is the way they go about it — and the end result.

Two ways to make your organization a smaller target:

- Prioritize changes based on your competitors’ vulnerabilities to give your business the advantage.
- Put limits in place to avoid too much expansion when you diversify your risk exposure.

Figure 2. Effect on Rate of Disruptions

n = 262
Source: Gartner Supply Chain Signature Series Risk Survey (December 2020)
To Determine Where to Start Shrinking, Assess Competitors’ Vulnerabilities

It’s not always clear where to start making your supply chain a smaller target. You can concentrate on so many parts of the supply chain — from suppliers to processes to locations. First Solar, a U.S.-based solar energy manufacturer, turns to a surprising source of inspiration: its competitors.

It speaks to subject matter experts and reviews relevant data about future risk trends, such as the rising demand for customization or the industry reliance on a single region for a particular commodity. (Your risk and strategy functions can likely help here.)

First Solar then evaluates its vulnerability to disruption from each trend, using a scale of “high,” “medium” and “low” to quickly and efficiently complete the analysis. The same assessment is applied to its competitors, with public information sourced from financial statements, news articles, and cost and commodity data.

The scores, relative to vulnerability, determine First Solar’s next steps:

- **Higher likelihood of disruption** — It prioritizes action to make sure competitors do not have a competitive advantage.
- **Similar risk exposure to a rival’s** — If differentiation offers a competitive advantage, the company prioritizes it.
- **Lower vulnerability to risk** — It deprioritizes changes for now but reassesses in six months.

First Solar uses this insight to adjust the supply chain and obtain a competitive advantage (see Figure 3).

First Solar runs 30-, 60- or 90-day sprints to identify an action plan, starting with the minimum viable change. For example, when the company wanted to reduce reliance on a commodity originating from the same region as its competitors, it shifted 75% of production to a different location. But first, it made the minimum viable change so it could make an immediate impact — moving 20% of production to the new region.

Recent unanticipated dangers proved this process works. During the first year of the COVID-19 pandemic, First Solar lost less than 0.1% of capacity utilization. And, despite this major challenge, it generated more revenue and higher margins.

**Figure 3. Risk Vulnerability Change Prioritization**

<table>
<thead>
<tr>
<th>Future Vulnerability to Disruption</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Competitor C</th>
<th>First Solar</th>
<th>First Solar’s Relative Vulnerability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising Geopolitical Tensions in Asia</td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>H</td>
<td>Higher</td>
</tr>
<tr>
<td>Industry Reliance on Single Region for Specific Commodity</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>Similar</td>
</tr>
<tr>
<td>Rising Demand for Customization</td>
<td>L</td>
<td>M</td>
<td>M</td>
<td>L</td>
<td>Lower</td>
</tr>
</tbody>
</table>

Source: Adapted From First Solar

Prioritize to reduce competitor’s advantage.

Determine if differentiation would offer competitive advantage. If so, prioritize.

Deprioritize, but reassess in six months.
How to Avoid Extreme Consolidation When Diversifying Your Risk Exposure

Industrial manufacturing company Stanley Black & Decker made its supply chain a smaller target with a manageable constraint: Concentrate on diversifying risk exposure for the 20% of its supply chain that drives 80% of its revenue. This principle avoids the pitfalls of extreme consolidation because diversification is limited and the supply chain doesn’t become bloated.

Stanley Black & Decker also used a mathematical model to profile the risk exposure (ranked “high,” “medium” and “low”) of its supply chain against different factors, including climate events, geopolitical uncertainty and financial stability. (Assessment factors for these three categories of risk included fault lines, military activity, internet freedom and financial performance. Your risk colleagues can help you determine the right choices.) These scores helped the company understand where it faced different levels of exposure.

It then evaluated potential new sites along the same factors, selecting only those locations that diversified the risk (see Figure 4). In this illustrative situation, Potential Site 2 is the better choice.

Using this practice, Stanley Black & Decker increased its dual-sourced sites by 300%, protecting the portion of its supply chain that provides the majority of the company’s revenue while keeping its supply chain from becoming susceptible to severe risk events.

1 Gartner Supply Chain Signature Series Risk Survey (December 2020)

Figure 4. Site Placement Scenario
Illustrative Site Assessment

Source: Adapted From Stanley Black & Decker
Secrecy is a relic of the past for a range of corporate operations once considered private. Beyond the now-ubiquitous environmental, social and governance (ESG) report, organizations are publishing deeper dives into their water use, diversity in their workforce, labor practices in their supply chains and how they manage the personal data they collect (see Figure 1). Stakeholders have come to expect it.

**Figure 1. Percentage of Organizations Issuing ESG Report Types**

<table>
<thead>
<tr>
<th>Report Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive ESG Report</td>
<td>73%</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>48%</td>
</tr>
<tr>
<td>Privacy Policy</td>
<td>24%</td>
</tr>
<tr>
<td>Human Rights Report</td>
<td>22%</td>
</tr>
<tr>
<td>DEI Report</td>
<td>13%</td>
</tr>
<tr>
<td>Compensation, Benefits and Pay Reports</td>
<td>6%</td>
</tr>
<tr>
<td>Government Relations Report</td>
<td>6%</td>
</tr>
<tr>
<td>Water Impact Report</td>
<td>6%</td>
</tr>
<tr>
<td>Safety Performance Report</td>
<td>4%</td>
</tr>
<tr>
<td>Biodiversity Report</td>
<td>3%</td>
</tr>
<tr>
<td>Other Issue Specific Report</td>
<td>3%</td>
</tr>
</tbody>
</table>

n = 495
Source: Gartner analysis of S&P 500 companies’ ESG reports
These disclosures have become critical building blocks of trust — and trust is critical to weathering a constant barrage of external shocks that keep organizations asking investors, customers, regulators and employees to understand tough decisions. Being transparent lays the groundwork for the sympathy and tolerance they seek when they are taking hard steps to delay deliveries, raise prices, close retail outlets or freeze pay.

After all, high brand trust leads to an 18% increase in loyalty and 40% brand preference from customers, while 81% of customers say they’ll refuse to do business with a brand they don’t have faith in.1 At the same time, companies with high levels of trust between employees and managers triple the average annualized returns for the S&P 500.2 They also see better talent outcomes in terms of engagement, team innovation, performance and retention.3

General counsel (GC) and other legal and compliance leaders should collaborate with HR, investor relations and all departments tasked with environmental and data management practices to get a handle on what the enterprise is making public now. The GC also should work with these functions and the board to determine whether stakeholder priorities warrant further transparency and what enhanced disclosure would mean for strategy and operations — including the acceptance of vulnerability. Once you start sharing information, you’ll need to continue, even when metrics don’t tell a positive story.

While environmental impact is the most prominent category of disclosure, stakeholders are also demanding more information about the “S” and “G” in ESG (see Figure 2). Indeed, social-related metrics made up 52% of the performance measures in our analysis of S&P 500 ESG reports in 2021.

Among the areas of interest: the workforce, human rights risk in the supply chain and data privacy practices. What follows is a look at organizations in Germany, the U.K. and the U.S. that have opened up about these topics — and how executives have harnessed the new transparency to build trust.

**Figure 2. Biggest ESG Challenges Over the Next 12 Months**

<table>
<thead>
<tr>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity and Inclusion</td>
</tr>
<tr>
<td>Carbon Emissions</td>
</tr>
<tr>
<td>Data Protection and Privacy</td>
</tr>
<tr>
<td>Workplace Safety</td>
</tr>
<tr>
<td>Board and Executive Diversity</td>
</tr>
<tr>
<td>Renewable Energy</td>
</tr>
<tr>
<td>Responsive Supply Chain</td>
</tr>
<tr>
<td>Recycling</td>
</tr>
<tr>
<td>Fair Pay</td>
</tr>
<tr>
<td>Green Products</td>
</tr>
<tr>
<td>Decision Transparency</td>
</tr>
<tr>
<td>Water Usage</td>
</tr>
<tr>
<td>Waste Disposal</td>
</tr>
<tr>
<td>Social Justice</td>
</tr>
<tr>
<td>Consumer Safety</td>
</tr>
<tr>
<td>Executive Compensation</td>
</tr>
<tr>
<td>Separation of Powers</td>
</tr>
<tr>
<td>Land Use</td>
</tr>
<tr>
<td>Stock Structure</td>
</tr>
<tr>
<td>Other (Please Specify)</td>
</tr>
</tbody>
</table>

n = 175

Q: Which of the following ESG areas present the biggest challenge(s) for your organization in the next 12 months? Select all that apply.

Source: 2021 Gartner ESG Panel Benchmarking Survey
Allianz Enhanced Workforce Disclosure

Between 2018 and 2021, the number of shareholder resolutions filed on human capital management with Russell 3000 companies in the U.S. nearly doubled, according to The Conference Board (see Figure 3). Last year, a record 14 proposals passed as investors pushed corporations to be more open about employee demographics, efforts to diversify both the staff and the board, and mandatory arbitration policies. Average support is also rising.

In the U.S., organizations need help with this. Human capital disclosure by the largest 100 employers in the country is “low across the board,” according to a report from JUST Capital, a nonprofit research organization that tracks how companies treat external and internal stakeholders.4

<table>
<thead>
<tr>
<th>Proxy Season</th>
<th>Filed</th>
<th>Voted</th>
<th>Average Support (rounded)</th>
<th>Passed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>112</td>
<td>46</td>
<td>37%</td>
<td>14</td>
</tr>
<tr>
<td>2020</td>
<td>90</td>
<td>37</td>
<td>23%</td>
<td>5</td>
</tr>
<tr>
<td>2019</td>
<td>88</td>
<td>49</td>
<td>24%</td>
<td>4</td>
</tr>
<tr>
<td>2018</td>
<td>62</td>
<td>22</td>
<td>25%</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Adapted From ESGAUGE and The Conference Board

European companies disclose more. Allianz, for instance, has published an annual workforce report since 2011.5 It has more than doubled in size, expanding to 57 pages from an initial 25 pages, and describes recruitment practices, employee engagement and stories from leaders heading up initiatives on management training and equal pay. The company added insights in the past two years as investors requested information about diversity at the company. Leaders at the Munich-based financial services company use the information in its “People Fact Book” in presentations to analysts, investors and clients (see Figure 4). They also find it helpful when updating the board and recruiting top talent, Chief Human Resources Officer Stefan Britz told us.

When Britz recruited a woman in 2021 for a senior role, the candidate told him she didn’t mine news articles to get background on the firm. Instead, she used the report she found on the company website about its 150,000 employees to learn about her potential employer.6

“It really helps us in terms of talent attraction,” Britz said. “Transparency helps to explain who we are, what the culture of Allianz is, how diverse we are, what you can expect if you join Allianz Group.”

Sunbelt Rentals U.K. Partnered With an NGO on Supply Chain Transparency

Greater visibility into the practices of contracted parties is among the top three most important areas to focus on for supply chain risk management.7 But only 53% of companies have good visibility (of 90%+) into their Tier 1 suppliers.

Figure 4. Allianz’s Workforce Disclosure to Analysts

Source: Allianz
Only 4% of companies know who 90% of their Tier 2 suppliers are — and only 3% have that information for lower tiers.

It’s hard to contemplate the possibility that the products in your supply chain might be mined, harvested or assembled by forced labor, but the risk is real. Global estimates indicate 16 million people are in these conditions within international supply chains. In 2019, for instance, 400 slaves were identified by the Sunday Times within the primary supply chain of some of the U.K.’s major supermarkets.

In 2021, the industrial equipment lender Sunbelt Rentals U.K. joined the Slave-Free Alliance, which offers its members expert counsel for rooting out forced labor from their networks. ALDI, AstraZeneca and Experian are among the other members of this group, an offshoot of the charity Hope for Justice. Hope for Justice said its efforts that year helped more than 4,800 people rescued from human trafficking and modern slavery, assisted through outreach or cared for in the aftermath of a rescue.

Sunbelt’s logistics and supply chain director, David Phillips, told us the alliance advised these first steps: Find out who in the company talks to its 4,000 suppliers and how those suppliers recruit labor. The alliance also trained Sunbelt suppliers and employees — using an e-learning module and tailored training in the highest-risk areas — on how to watch out for human rights issues. For example, when hiring temporary labor, watch to see if the workers all arrive together in a single vehicle. That’s a red flag.

The effort will help build customer trust in a hypercompetitive market, Phillips said. “When our customers come to us, they are looking for a business that not only is committed to ESG but can also demonstrate its commitment to it,” said Phillips. Phillips added that there’s been a “byproduct” of the initiative: Company postings about corporate sustainability efforts on LinkedIn and on the company’s internal social media channel have helped attract and retain talent.

**Disclosing Privacy Practices to Build Trust**

Disclosure of data protection efforts is an emerging area for stakeholders. Thirty-four percent of privacy leaders are involved in ESG strategy (see Figure 5).

A noteworthy example of a company using privacy as a business differentiator is Apple. In an introduction to its 2021 ESG report, CEO Tim Cook explains the company is “innovating to protect people’s privacy, which we believe is a fundamental human right.”

Leaders at other technology companies have told us that they, too, are exploring ways to promote their privacy programs as a competitive advantage.

---

**Figure 5. Privacy Teams’ Involvement in ESG Efforts**

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privacy Is Involved in Privacy Aspects of Our ESG Data Strategy</td>
<td>34%</td>
</tr>
<tr>
<td>Our Privacy Leader Is a Member of the Committee Leading ESG Efforts</td>
<td>21%</td>
</tr>
<tr>
<td>Privacy Is a Material ESG Issue for Our Business and We Help Craft the Relevant ESG Narrative</td>
<td>13%</td>
</tr>
<tr>
<td>We Advise Other Teams on ESG Disclosures to Ensure No Privacy Issues Are Created From Data or Disclosures (i.e., HR/DEI Data)</td>
<td>11%</td>
</tr>
<tr>
<td>We Actively Monitor ESG Disclosure Activities to Ensure Compliance With Privacy Laws</td>
<td>9%</td>
</tr>
<tr>
<td>Other (Please Provide Additional Context in the Chat Box)</td>
<td>4%</td>
</tr>
<tr>
<td>Privacy Is Not Involved in ESG Efforts</td>
<td>40%</td>
</tr>
<tr>
<td>ESG Is Not Relevant to Our Organization</td>
<td>6%</td>
</tr>
</tbody>
</table>

n = 47

Q: What is the Current Level of Involvement of Your Organization’s Privacy Team in ESG Efforts? (Multiple Responses Allowed)

Source: Gartner Privacy Webinar Live Poll (2 March 2022)
Beyond the tech sector, banking and financial services firms also want to gain an edge by publishing their privacy principles, privacy “philosophy” or data ethics initiatives to the public. Legal leaders are also discussing privacy as a part of the employee value proposition. The thinking there is that a strong privacy program that respects individuals makes a company a better place to work. This helps organizations tie privacy to important ESG objectives related to employee engagement and strengthens what they offer employees.

Worldwide, Regulators Have Turned Up the Heat

Trust is not the only reason organizations must be more transparent. The regulatory push for this is global. For climate change alone, the EU, the U.K., China and Japan released or proposed new disclosure guidelines and regulations in 2021 (see Figure 6). Meanwhile, the U.S. Securities and Exchange Commission (SEC) is moving toward new reporting requirements covering climate-related risks and is also weighing disclosure mandates covering the workforce and cybersecurity risk.

As for privacy, years after the EU’s landmark General Data Protection Regulation and China’s Personal Information Protection Law came into force, the playing field for legislation has moved to the U.S. New requirements for informing consumers about the use of their personal information take effect in 2023 in California, Colorado, Utah and Virginia. And more than half of U.S. states are considering privacy laws. Regulators are signaling a willingness to enforce new measures quickly.

Corporate Executives Worry About Greenwashing Risk

A final note of caution: Don’t be tempted to claim more progress than you’ve made or gloss over problem areas. Large investors do their own research to check out corporate practices. In fact, 27% of executives who are part of corporate ESG initiatives track “greenwashing” as a risk. That’s in no small part because of the intensifying scrutiny from all sides.

1. 2019 Gartner Brand Trust Survey.
2. The Connection Between Employee Trust and Financial Performance, HBR.
3. 2021 Gartner Hybrid Work Employee Survey.
5. Allianz’s report has expanded. Initially, it was a 25-page document with charts on demographics, turnover, training programs and personnel expenses.
7. 2021 Gartner Supply Chain Risk and Resilience Survey (BME Collaboration). The survey was conducted online from 19 July through 3 September 2021. BME partnered with Gartner to recruit the participants from their membership. The sample was augmented with recruitment efforts by social media. In total, 83 respondents in Germany and six in other countries participated. Qualifying organizations operate in the manufacturing, healthcare provider, natural resources, retail, transportation and logistics, utilities and wholesale trade industries. Qualified participants have a role tied to a supply chain function. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.
10. Slave-Free Alliance Inc. is expanding in the U.S. It is now incorporated in Delaware and has business operating licenses in two other states, according to Tim Nelson, the group’s CEO.
11. Sunbelt Rentals U.K.’s program is being expanded to the North American market.
12. Apple Is Turning Privacy Into a Business Advantage, Not Just a Marketing Slogan, CNBC.
14. The U.K. mandates companies make information public on the gender pay gap (see Gender Pay Gap Reporting: Guidance for Employers). Germany in 2021 passed a law requiring companies to conduct due diligence of their supply chains to prevent the abuse of human rights, building on requirements in the U.K. and California. And the EU is weighing the Data Act, which would expand the requirements of the General Data Protection Regulation (GDPR), as well as a measure on “corporate sustainability due diligence” that would require companies to report on the environmental and human rights practices of their suppliers.
19. CCPA Enforcement Case Examples, State of California Department of Justice.
<table>
<thead>
<tr>
<th>Economy</th>
<th>Regulation</th>
<th>Applicability</th>
<th>Aligned to International Frameworks</th>
<th>In Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Revised guidelines on the format of annual and semiannual reports for listed companies</td>
<td>Companies offering securities to the public</td>
<td>No</td>
<td>Jun. 2021</td>
</tr>
<tr>
<td></td>
<td>Measures for the Administration of Legal Disclosure of Enterprise Environmental Information</td>
<td>Key polluters; enterprises implementing compulsory cleaner production audits; listed companies being investigated or penalized for environmental violations in the previous year; listed companies and bond-issuing enterprises</td>
<td>No</td>
<td>Feb. 2022</td>
</tr>
<tr>
<td>EU</td>
<td>Corporate Sustainability Reporting Directive (CSRD)</td>
<td>All large companies and all companies listed on regulated markets (except listed microenterprises)</td>
<td>TCFD and international standardization initiatives</td>
<td>Oct. 2022</td>
</tr>
<tr>
<td></td>
<td>Non-Financial Reporting Directive (NFRD)</td>
<td>Listed companies, banks, insurance companies, other companies designated by national authorities as public-interest entities with more than 500 employees</td>
<td>Global Reporting Initiative, other recognized international frameworks</td>
<td>Jan. 2018</td>
</tr>
<tr>
<td>India</td>
<td>Business Responsibility and Sustainability Reporting (BRSR)</td>
<td>Top 1,000 listed companies by market capitalization</td>
<td>GRI, SASB, TCFD, integrated reporting</td>
<td>FY 2022-2023</td>
</tr>
<tr>
<td>U.K.</td>
<td>The Companies (Strategic Report) (Climate-Related Financial Disclosure) Regulations 2022</td>
<td>Companies with more than 500 employees that are publicly traded, banks, insurers or that have an aggregate annual turnover of more than £500M</td>
<td>TCFD</td>
<td>Apr. 2022</td>
</tr>
<tr>
<td></td>
<td>Limited Liability Partnerships (Climate-Related Financial Disclosure) Regulations 2022</td>
<td>Traded or banking LLPs with more than 500 employees</td>
<td>TCFD</td>
<td>Apr. 2022</td>
</tr>
<tr>
<td></td>
<td>SEC Guidance Regarding Disclosure Related to Climate Change</td>
<td>Public companies</td>
<td>No</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>Updated SEC Guidance Regarding Disclosure Related to Climate Change (forthcoming)</td>
<td>Public companies</td>
<td>TCFD</td>
<td>In Phases (Dates TBD)</td>
</tr>
</tbody>
</table>

Source: Gartner
Guide the Business to Realign Operations As Strategic Priorities Shift

by Samantha Panchèvre

In times of turmoil, CFOs may fail to make a difference even if they wrestle funding away from uses of capital that are fast losing value and surge large amounts to newly important initiatives. Capital pivots won’t work unless the people, technology and other capabilities that spending supports also flow to support execution (see Figure 1). That kind of realignment is rare; only 32% of finance chiefs say their organization’s operational budgets are highly responsive to changes in strategic priorities.

Inertia is more pronounced for operational resources because 71% percent of business leaders have a high degree of autonomy over the budget for their business unit (BU); finance can’t decree its way into bringing operations in line with new enterprise-level capital moves.

Instead, CFOs should start by fixing some BU-level visibility problems – particularly in the case of willing business leaders who want to reallocate their resources but cannot make trade-offs if they don’t know when capital shifts occur, what’s required from their units, or have a true picture of available capacity. If business leaders are unwilling to reallocate their resources, CFOs should start with realigning compensation incentives.

Therefore, finance teams must actively and continuously help build understanding – and influence a change in direction when that’s necessary. Finance may need to enlist other functions such as HR in those efforts.

Don’t let a lack of operational resources starve a newly funded initiative. The following tactics can encourage the business to keep up as strategic priorities rise or fall in importance.

Figure 1. How Disruptive Events Trigger Operational Resource Realignment

Source: Gartner
**Recommendation 1: Show Business Leaders the Role They Should Play**

Don’t overlook this crucial step. Spell out which capital shifts are likely to affect BU operations. Provide context to business leaders for each strategic pivot, including:

- Disruptions
- Market changes
- Enterprise outcomes the organization wants to achieve

**Recommendation 2: Help BUs Track Skills Rather Than Job Titles**

People costs are the biggest line item for most companies, representing about two-thirds of total spend. To manage talent resources more flexibly, some organizations group employees by skills rather than job titles.

In this case, HR should lead the charge, working with business leaders to assess their personnel’s hard and soft skills as well as personal motivations. Next, either the function or BU managers should catalog these capabilities (methods for doing that include digital badges on employee profiles, skills matrices or specialized software). Rather than relying on a general view of headcount or hiring new talent based on rigid job descriptions, this process gives managers enough information to place the right people on the right projects at the right time.

For instance, Ofwat (the U.K.’s Water Services Regulation Authority) organizes people into “resource pools,” which let program managers choose people to apply skills even if their usual role wouldn’t normally be assigned to the initiative. As one program manager explained in 2016, an employee has “the ability to put your hand up to work on a particular program or project whereas in the past you might not have known about it.” If skills and needs don’t mesh, the employee gets feedback on how to develop for future assignments.

**Recommendation 3: Sort Operational Spend Into Strategic Categories**

FirstRand, a South African financial services provider, overhauled its budgeting process to improve visibility into how BUs are allocating resources toward strategic objectives.

FirstRand shared with us in 2020 how its FP&A team defined four categories for BU expenditures in a way that highlighted their strategic nature:

- Business as usual — Resources needed to maintain the current level of operations
- New products and segments — Resources needed to increase sales and market share
- New initiatives — Resources essential to improving competitive position
- Synergistic benefits — Opportunities to collaborate with other BUs to reduce redundant efforts and cut duplicate costs

Additionally, FirstRand used a dual bottom-up and top-down process to collect new information about budgets.

During the bottom-up recalibration, BUs that shared certain traits (the same brand, for instance, or similar back-office technology) would create one budget that optimized limited resources among them based on each unit’s specific costs, risks and opportunities.

Next came the top-down recalibration. After receiving the improved budgets, senior executives looked across business unit clusters to make resource allocation trade-offs that inflect growth at the portfolio level.

During frequent budget updates, FirstRand’s system revealed opportunities for collaboration among BUs and excess funds that could be reallocated to fuel growth.

**Recommendation 4: Educate All Levels of the Business About Resource Trade-Offs**

Finance leaders often have a wider view of the enterprise than business leaders do. The finance team at ResMed, a U.S.-based medical device manufacturer, coached business staff to understand how operational resourcing decisions affect enterprise-level strategic priorities.

ResMed shared with us in 2018 the way it influenced operations managers indirectly from the ranks below. In two-hour sessions that finance facilitated each quarter, junior business staff learned how to think about decisions on a systems level — that is, how they fit into the company’s strategy and business model, and how they affect shareholder value.
During the workshops, finance offered frameworks to understand the business as a cohesive whole, including its different strategic time frames, as well as the structure and vital elements of its business model.

To show the causal chain between operations and financial performance, ResMed mapped types of operational decisions to elements of shareholder value. Next, to make the operational-financial link personal for participants, the finance team traced the ultimate goal of shareholder value through levels of financial metrics with positive or negative effects on cash flow. It all came down to operational resourcing decisions that involved the staff at the workshop and their managers (see Figure 2).

If the value map activity revealed a net-negative cash flow impact, the operational resourcing decision in question should be scrutinized in light of recent disruptions or changing business assumptions. Finance could partner with the business to help reallocate the operational resources in question to a new strategic priority.\(^8\)

---

\(^1\) From *Why CFOs Need to Act Like Activist Investors*, where we define capital responsiveness as the ability, in the face of changing business conditions, to:
- Quickly shift capital to new high-value uses.
- Quickly shift capital away from new low-value uses.
- Make significant, rather than incremental, changes to where capital is allocated.

\(^2\) 2021 Gartner CFO Capital Allocation Survey; n = 100 CFOs.

\(^3\) 2020 Gartner Budget Owner Survey; n = 505.

\(^4\) To learn more about aligning performance incentives, see: *How to Shift Leaders to a Company-First Mindset* (also included in the 3Q21 issue of Gartner Business Quarterly)

\(^5\) Ofwat. “How We Work.”

\(^6\) Ofwat. “Giles talks about programme-led working at Ofwat.” YouTube video, 2 minutes and 58 seconds. May 19, 2016. https://www.youtube.com/watch?v=ZNkh48SM0c0

\(^7\) To learn more about this case, see: Case Study: Strategy-Guided Budgeting (FirstRand)

\(^8\) To learn more about this case, see: ResMed: Coaching Operations Staff About Shareholder Value

The organizations profiled in this research are provided for illustrative purposes only and do not constitute an exhaustive list of examples in this field nor an endorsement by Gartner of the organization or its offerings.

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**Figure 2. Operational Decision Example**

- Positive impact
- Negative impact

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\(1\) Understand decision-maker assumptions behind the decision.

\(2\) Assess holistically how the decision would impact the business.

\(3\) Focus on the incremental cash flow generated by the decision.

Source: Gartner
Build a Better Strategic Plan for Your Function

Only 8% of strategy leaders report a success rate of 90% or more on long-term strategic initiatives. Why? Because strategic plans are often WORN: written once, read never.

Use our one-page strategic planning template to clearly communicate your function's priorities and create a clear roadmap to meet your strategic business goals.

Download the strategic planning template for your function.

gartner.com/en/insights/strategic-planning
How Major Shocks Affect Employees — and How You Can Support Them

by Alexander Kirss

It is one thing to know in the abstract that a big external shock will affect your workforce. It’s another thing to try and support employees when a war, financial crisis or devastating natural disaster is occurring.

As Russia invaded Ukraine earlier this year, for instance, executive leaders struggled to protect workers and respond to employee demands. Even at companies that recognized early on that they might need to evacuate employees from Ukraine, some employees chose not to leave — and some couldn’t.1

Complicating these decisions, many corporate benefits policies, such as life insurance and business travel accident insurance, do not cover injuries or death sustained as a result of interstate conflicts or terrorism.2 Organizations further needed to decide what to do if their employees were conscripted to fight or wanted to volunteer for humanitarian organizations in Ukraine or neighboring countries.3

As long as businesses maintain multinational operations, they will experience major shocks that rattle most — if not all — of the talent required to keep the enterprise running. Yet organizations can plan for and mitigate these effects; HR, the crisis management team (CMT), communications and every functional head and manager each plays a role.

How to Help Your People When a Shock Strikes

Widespread upheaval affects employees in five main ways (see Figure 1).

- **Physical safety.** This should be your first concern. Executives have a moral duty to protect their employees in their day-to-day workplace activities. This becomes even more important during times of upheaval.
  
  - **What to do:** Make sure employees in affected areas maintain updated emergency contact information and require them to notify managers of planned travel. If employees are trapped in a dangerous area, HR and the organization’s security services may work with leaders to evacuate them to a safe locale.

- **Mental health and emotional well-being.** Employees may worry about family members who live in an area affected by a major shock, or draw a line from an ongoing crisis to traumatic, personal experiences. Even exposure to news reports may trigger a recurrence or intensification of underlying or preexisting mental health issues. The COVID-19 pandemic, for example, had severe consequences for employees’ mental health and emotional well-being. Over half of employees reported significant damage to workforce health, and 85% experienced feelings of burnout.4

  - **What to do:** HR should surge training material and resources to help managers find the right balance between providing support and being respectful of employees. Executives can help by sharing their own experiences to help reduce stigma around mental health and making sure individuals on their team know about and can access the well-being programs and resources available to them.
• **Financial security.** Especially if the shock is primarily economic in nature (such as a recession, currency devaluation or imposition of economic sanctions), employees may find themselves struggling to pay the bills. Even in noneconomic shocks, employees may need quick access to financial resources to pay for unforeseen costs associated with managing or recovering from the shock. According to a survey we conducted in April, 19% of employees working in European countries that border Ukraine believe the Russian invasion of Ukraine will worsen or significantly worsen their job security, compared with 15% in European countries that do not border Ukraine and 5% in North America.\(^5\)

  - **What to do:** Check with HR for help identifying employees who may need short-term financial assistance and devising potential solutions, such as prepaying employee salaries or providing salaries in different currencies. For instance, a company could pay Ukraine-based employees in euros instead of the Ukrainian hryvnia in case they decide to leave the country.\(^6\) Some organizations already have employee assistance funds, and those that do not should consider establishing them. HR should manage implementation of these measures.

• **Ability to work.** The problems listed above may leave employees unable to work or keep up their usual work tempo or standard. In fact, 60% of HR leaders believe their organization will experience at least some disruption to normal business operations as a result of the Russian invasion of Ukraine, with 13% anticipating a significant or severe disruption.\(^7\) The workforce reports productivity loss, especially in locations closer to the conflict; 16% of employees working in European countries that border Ukraine report their productivity has decreased since the invasion, compared with 10% in European countries that do not border Ukraine and 4% in North America.\(^5\)

  - **What to do:** Respond with compassion; then work with HR to identify options for keeping important tasks on track. Can cross-trained employees step into critical roles and responsibilities? Can temporary staff be hired to mitigate absences and loss of effectiveness? Workforce resilience should be a key aspect of crisis planning, although executives may need to adapt preset plans to the unique circumstances of a given shock.

• **Demands for action.** Organizations are experiencing an uptick in employee activism, particularly related to improving employees’ experience and environmental, social and governance issues.\(^8\) A major shock intensifies and sharpens these demands. For example, during the Russian invasion of Ukraine, employees across the world pressed for their organizations...
to end operations in Russia and increase corporate giving to humanitarian organizations.9

- **What to do:** Understand that leaders need to listen to employee concerns during a shock — and also act on them. Leaders should work to prioritize what employee demands are the most important to act on and which the organization can act on. Leaders should also take care not to make promises to employees that the organization cannot keep and should speak honestly and openly about which employee demands can be reasonably accepted.

**Steps to Take During a Crisis**

The organization’s chief human resources officer (CHRO) will generally take the lead in helping employees affected by a major shock — in collaboration with the organization’s dedicated CMT — but all executives should take these important actions to support their employees:

- **Check in on your staff.** See what assistance members of your business unit or function may need; which of the five dimensions of impact are they grappling with? Forward their needs to the appropriate individuals identified by the CHRO and CMT so they can understand and prioritize employees’ concerns about safety and well-being.

- **Hold informal listening sessions and pass along what you’ve heard.** The CHRO is generally responsible for managing formal efforts for gathering employee voice, during both routine times and shocks, but all executives can help during global crises. Start a two-way dialogue on what the organization can and cannot do, internally and externally, about the shock. Report on what you’ve heard to the CHRO or other senior leaders; the information will help guide their decision making.

- **Communicate key information.** Executives should promptly forward the messages they have been given by the chief communications officer to the appropriate employees in their business unit and function. Avoid revising or duplicating messages to minimize employee confusion. Executives should direct employees who are asking for more information than they can provide to the appropriate member of the crisis communication team. Don’t guess what the answer may be, and don’t take a stand on what the response should be.

- **Plan for the future.** Even as a major shock is underway and the CMT coordinates immediate response, executives who are less involved may be able to identify and monitor medium-term risks that will emerge as conditions change. They should also capture lessons learned that can be integrated into future crisis management plans.

**Easy, Low-Cost Ways to Get Ready for the Next Round**

It is never too early for executives to start thinking about the next major shock — whatever that may be. While you should take care not to impede management of ongoing emergencies, you can start preparing by:

- Scheduling an exploratory conversation with the head of business continuity management or a standing CMT leader to learn more about their, and your, responsibilities
- Participating in regular crisis scenario exercises to build cross-functional and business unit connections
- Educating yourself about the organization’s employee assistance programs so you’ll be better-equipped to answer employees’ questions about these benefits

---

2. Benefits Considerations for Employers During Russia-Ukraine Crisis, Sequoia.
3. Tesla Will Pay Ukrainian Employees for Up to 3 Months If They Are Conscripted to Fight, CNBC.
5. 2022 Gartner Russian Invasion of Ukraine Employee Sentiment Survey, n = 3,186 employees. Regional breakdown, n = 518 (Europe, bordering Ukraine); 1178 (Europe, not bordering Ukraine); 493 (North America); 269 (Latin America); 140 (Africa); 434 (Asia); 154 (Australia and New Zealand).
7. 2022 Gartner HR Budget, Efficiency and Functional Trends Webinar Poll, n = 83 HR leaders.
8. Leading in an Age of Employee Activism, MIT Sloan Management Review.
9. ‘There Isn’t a Both Sides Anymore’: With Russia, Customers and Employees Demand Action From Corporations, Forbes.
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Despite overwhelming evidence that effective cost management supports enterprise performance, more than 50% of organizations have yet to establish clear measures of success for their strategic cost initiatives.

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01 **Define**
clear measures of success

02 **Adopt**
a consistent framework

03 **Leverage**
cross-functional collaboration

Download Guide
3 Steps Data and Analytics Leaders Should Take During a Crisis

by Steve Shapiro and Sanchi Bhat

With every new crisis, data needs shift drastically. Information that once dictated decisions may no longer be relevant; at the same time urgent requirements suddenly appear.

For example, at the beginning of the COVID-19 pandemic, companies needed to immediately start tracking local case counts, new regulations and health equipment supplies to make a series of rapid decisions about where and how employees should work.

Data and analytics (D&A) leaders can’t be passive players here — they have the visibility, expertise and tools to get information flowing freely. But in order to do so, they need to take three steps at the onset of a crisis: create D&A capacity by redirecting resources, break down resistance to data sharing, and support innovation at speed with suitable models and tools.

**Step 1: Triage D&A Projects to Free Up Crisis Response Capacity**

Before you leap into action, ask: How has the crisis changed business goals? Use these priorities to create criteria for deciding which projects should be postponed or canceled and which need extra resources (see Figure 1).

![Figure 1. How to Triage for Crisis Management](image)

**Further questions to consider:**
- Should this work be delegated to another resource within the enterprise?
- Is there a more efficient way to support this request?
- Do I have the right resources in place to support this request?

Source: Gartner
As part of this process:

• Identify D&A assets for evaluating risk, aiding situational awareness and analyzing outcomes for new objectives.
• Coordinate with business team leaders to swiftly pivot resources.
• Have teams document disrupted projects so they can reassess later.

Step 2: Break Up Resistance to Data Sharing

A crisis can be an opportunity to break down the walls that all too often keep data locked away in various departments.

Take a few hours to map stakeholders by their clout and how resistant they may be to the D&A team based on prior experience.

Then make a case that demonstrates how sharing data is critical to achieve crisis management goals. Focus outreach on the most influential and most unyielding executives (see Figure 2).

In your conversations:

• Make sharing the default position and request justification for the exclusion of any resources.
• Don’t ignore your supporters — acknowledge and encourage their continued backing.

Take another step as well: Use D&A expertise to quickly integrate data sets. This help will avoid inaccuracies and duplication of effort.

If you’re not already in the throes of a crisis, don’t wait for the next one to get started. Document data connections using techniques such as graph analytics. This exercise can take two months to

Figure 2. How D&A Leaders Can Work With Enterprise Executives to Rapidly Refocus Resources

<table>
<thead>
<tr>
<th>Resistance to D&amp;A Team</th>
<th>Influence on Agenda</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>1. Demonstrate and persuade: Focus on friction from high-resistance, high-influence internal stakeholders.</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>2. Acknowledge and encourage: Deprioritize low-resistance, high-influence internal stakeholders.</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

Source: Gartner
complete but it’s worth the time because it helps clarify the relationships between data sets from different business units. For instance, you might reveal how shifts in demand or supply shortages would affect the entire value chain.

**Step 3: Build Tools to Support Speedy Innovation**

As the crisis evolves, so should the use of data. Position data as a foundation for generating and testing ideas that respond to emerging challenges and opportunities (see Figure 3).

For example, a healthcare executive told us in 2020 that his team built dashboards based on algorithms from the earlier Ebola outbreak to forecast supply needs.

The ability to see the organization adjusting resources as necessary helped ease the minds of clinical staff while still informing them of the challenges.¹

To help leaders generate innovative ideas that respond to the crisis, gather data pertaining to the immediate problems and analyze it alongside a business unit’s innovation team. This helps expose new opportunities and develop new hypotheses.

To support evaluation of those ideas, use data to select opportunities, predict outcomes and forecast performance under different scenarios.

**For both stages, keep these tips in mind:**

- Use simple models to inform decision making.
- Use business expertise from across the firm to develop scenarios.
- Keep a repository of all hypotheses, regardless of outcome, to develop lessons learned after the crisis ebb.

¹ Gartner Podcast: Dispatches From the Front — Intermountain Healthcare

---

**Figure 3. Data-Driven Innovation Process Steps**

![Diagram of the Data-Driven Innovation Process Steps]

**Idea Generation**

1. Create **hypothesis** of the business problem
2. Gather **data**
3. **Complete**
4. Develop new **hypothesis** based on analysis

**Idea Evaluation**

1. Use data and insights to **select** innovation opportunities
2. **Revise** innovation opportunities
3. **Complete**
4. Predict different **scenarios** or types of events

**Source:** Gartner
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As Sanctions Go Global, Compliance Gets Complicated

by Dian Zhang

Repeated lightning rounds of restrictive measures — plus retaliation from Russia — make it even harder to keep up.

Not that it was ever easy; challenges such as misinterpretation of regulations to insufficient due diligence have tripped up global enterprises, big and small. In 2014, for instance, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) issued 22 enforcement actions with over $1.2 billion of civil penalties in total. Allegedly willful violations can also lead to criminal charges.

Navigating through the chaos — probably not for the last time — requires quick analysis now while avoiding the pitfalls of the past. Here are three tips, extracted from interviews with four sanctions lawyers based in the U.S. and EU.

How to Keep Up With New Sanctions

“Not being completely aware of all of the different changes on a day-to-day basis is a major mistake,” said Judith Alison Lee, co-chair of Gibson Dunn’s international trade practice group.

― Rachel Alpert

“Sanctions, despite being very coordinated, are implemented under each jurisdiction’s laws and can each be carried out in a different way.”

― Rachel Alpert

Even for businesses that have significant experience with international trade and transactions, the economic sanctions aimed at Russia and Belarus for the invasion of Ukraine came as a jolt. Complying with these new rules is complicated by the sheer number of participating governments (from the U.S. to Australia to Japan) and the variety of regulations that apply.

― Rachel Alpert

How to Keep Up With New Sanctions

“Not being completely aware of all of the different changes on a day-to-day basis is a major mistake,” said Judith Alison Lee, co-chair of Gibson Dunn’s international trade practice group.
Repeatedly hitting “refresh” on government websites is not your best option. Try this instead: Subscribe to government alerts for all jurisdictions relevant to your organization (see Figure 1).

Past compliance guidance bulletins from OFAC and the U.K.’s Office of Financial Sanctions Implementation (OFSI) are also good resources (see Figure 2).

Watch Out for Differences Among Jurisdictions

For instance:

• U.S. sanctions apply to any transactions involving U.S. persons, the U.S. financial system and other U.S. touchpoints (such as processing software or data servers located in the country), even if the company itself has no operations in the U.S.

• In the EU, if business is done even in part within the Union, restrictions apply even if no EU nationals or entities are involved — Eva Monard, a Brussels-based partner focusing on EU trade and customs law at Steptoe & Johnson, told us.

Eva Monard
Partner, Steptoe & Johnson

Photo courtesy of Steptoe & Johnson

Figure 1. Examples of Where to Receive Official News Updates

<table>
<thead>
<tr>
<th>Government Website</th>
<th>News Alerts Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury</td>
<td>Sign up for email alerts</td>
</tr>
<tr>
<td>Bureau of Industry and Security of the U.S. Department of Commerce</td>
<td>Subscribe on the Federal Register</td>
</tr>
<tr>
<td>Office of Financial Sanctions Implementation (OFSI) of the U.K. HM Treasury</td>
<td>Sign up for email updates</td>
</tr>
</tbody>
</table>
| European Commission’s EU solidarity with Ukraine webpage        | • View EU sanctions against Russia following the invasion of Ukraine  
                                                                  | • Get RSS updates                                              |

Source: Gartner

Figure 2. Examples of Compliance Guidance Bulletins Issued by Governments

<table>
<thead>
<tr>
<th>Agency</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury</td>
<td>A Framework for OFAC Compliance Commitments</td>
</tr>
</tbody>
</table>

Source: Gartner
Conduct Rapid Risk Assessments

How can you decide which activities of your company can continue — and which cannot? Evaluate your operations in and with Russia and Belarus in collaboration with other executives such as risk, supply chain and HR. Kara Bombach, a shareholder at Greenberg Traurig specializing in export controls and economic sanctions, suggests this checklist:

- What kind of business are we conducting there?
- Who are our business partners, customers and vendors?
- Do we have an office there? Do we have staff?
- Are we supplying goods, services or equipment?
- What do our commercial documents include? And what kind of protections do we have to terminate or pause agreements?

Compare your answers to these questions to sanctions imposed by jurisdictions that apply to you. Work with legal counsel on issues such as payroll, supply chain and cyber vulnerabilities, Bombach said.

Ramp Up Screening to Look Beyond the Obvious

People and entities who are not on the designated list can be subject to blocking because of their relationships with sanctioned individuals:

- In the U.S., entities half (or more) owned — directly or indirectly — by one or more sanctioned people are considered automatically blocked, according to OFAC’s 50 Percent Rule.
- In the EU and U.K., any persons or entities that are owned or controlled by a designated person will also face restrictions. Control can look like:
  - Appointing or removing a majority of the members of an entity’s administrative, management or supervisory bodies
  - Dictating a majority of shareholders’ or members’ voting rights
  - Having a dominant influence without being the holder of the right

Here are three tips for robust screening of customers, vendors and distributors, sourced from sanctions lawyers.

Engage the Business to Know Your Counterparties Better

Colleagues working closely with external partners or customers may have information that’s not immediately available to legal and compliance. Make sure you source these insights from the business, and incorporate them into your screening tool.

Internal coordination is helpful even when violations occur. Regulators will factor in your company’s effort to search for covered people and entities when considering enforcement actions. “It’s very different if the information was impossible to obtain than if the information was just there in your company, [but] you didn’t ask around to get it,” said Monard.

To that end, creating awareness within the business teams is crucial so they recognize and bring red flags to the legal and compliance team’s attention. Some companies also require the account manager to complete client-specific trade compliance questionnaires, Monard told us.
Tinker With Your Algorithm to Avoid Blind Spots

A great automated screening tool still requires “a lot of human intelligence,” Lee said. “It’s important to review the results periodically, conduct audits and adjust the system so you don’t miss anything or end up with too many false positives.”

To account for typos and other errors, check for transactions involving slight variations in spelling of names on the sanctions list.

Augment the Screening Tool With Additional Due Diligence

Getting clarity on ownership and control is no easy task, especially in an opaque system like Russia. No matter how advanced a screening tool you use, it probably still can’t identify a full corporate structure and beneficial ownership.

“Understand what it doesn’t provide so you can conduct separate, independent diligence into the corporate structure through additional open-source research,” Alpert said. If necessary, she added, engage an outside diligence service.

Increase Third-Party Due Diligence

Add Contractual Provisions to Protect Your Business

As the global sanctions list keeps growing, companies may find some of their contracts untenable.

Renegotiating in the moment is hard, so start preparing now. “Take stock of your existing contracts and identify any potential force majeure clauses or other avenues that allow for extricating yourself in the event of sanctions,” said Alpert.

Importantly: “Going forward, include those clauses in new contracts,” Alpert said. “Although be mindful of local requirements that might make negotiation of or reliance on such clauses illegal.”

You may also want to have contractual guarantees in place to “preserve the right to get information and support from your third parties in case you are getting questions from authorities,” Monard told us. In Belgium and some other EU member states, customs authorities have begun stopping and checking all goods sent to Russia or Belarus, whether they are sanctioned or not, she said.

Educate Third Parties to Encourage Compliance

Proactively help your third-party distributors learn about sanctions compliance. For instance, if your organization is a U.S. company selling sensitive defense technology products, explicitly tell distributors all the products and technology that you’ve given to them — even after leaving the U.S. — are still subject to U.S. export controls, said Lee.

After all, whether you are doing your very best to comply will be a factor in the regulators’ considerations for enforcement, sanctions lawyers in the EU and U.S. told us.

2. Tracking Sanctions Against Russia. Reuters.
3. House Passes Bill to End Normal Trade Relations With Russia, Belarus. The Hill.
7. U.S. Sanctions Enforcement by OFAC and the DOJ. Global Investigations Review.
9. Yale Professor is Keeping Tabs on Companies Still Operating in Russia Despite Ukraine Invasion — and Many Have Now Pulled Out. MarketWatch.
Partnering With Startups for Nimble Innovation
by Kevin Gabbard

Startups are broadly admired for their agile pursuit of innovative ideas. Executive leaders especially appreciate the freedom that comes with nascent operating models; it’s hard to imagine a good idea withering in a committee when a business’s entire workforce wouldn’t even fill a boardroom. Yet only 29% of technology innovation leaders rate startups as important to their organizations’ innovation success.

Instead, they build an ecosystem that depends on a set of large and established external partners for technology solutions. They end up with a relationship that’s comfortable. But the solutions are slow, expensive and generic at best.

Stora Enso, a renewable materials manufacturer based in Finland, designed a process for teaming up with early-stage AI businesses that’s led to more than 26 new products in three years. Two insights fueled this success story: The company evaluated potential partners as technology providers, not as investments — Stora Enso isn’t looking to take a stake in them — and was open about its most pressing business challenges, which attracted new solutions that were a perfect fit.

These unusual perspectives helped Stora Enso overcome two common hurdles to successful collaboration with startups: control and culture. Each party experiences these issues differently (see Figure 1).

Don’t Judge a Startup by Its Funding

Stora Enso realized the startup characteristics that make a smart investment are different from those that make a startup a good partner. It’s tempting to look at venture capital funding as a proxy for potential value in a partnership, but well-funded startups are often more focused on corporate development — establishing an IT group, an HR team, refining the market strategy — than on their technology and insights.
On the other hand, startups with less buzz have very smart and capable talent and are likely more flexible for co-creating innovative products. For this reason, Stora Enso uses four selection criteria designed to assess value and potential (see Figure 2).

Be Open About Business Challenges

Next, Stora Enso needed a way to draw interest from startups. Recognizing that most startups develop products with a narrow range of use cases in mind and would be thrilled to discover an untapped market, the company decided to publicize something most organizations try to hide: its toughest business problems. After publishing these challenges openly on channels where AI startups exchange ideas, startups began to reach out (see Figure 3).

Establish Rules of Engagement Upfront

To avoid friction and keep risk at acceptable levels, Stora Enso established five principles for its startup engagements (see Figure 4).

As a result of these practices, Stora Enso has greatly expanded its engagements with AI startups. From 2017 to 2019, Stora Enso more than tripled both the number of startups screened and the number of startup partnerships established (see Figure 5).
Use the right criteria to find marketable business problems ...

... and publish them externally ...

... to attract potential startup partners.

Sexiness Criteria

- The problem is sufficiently novel.
- The problem is externally marketable.
- The problem relates to significant social, economic, or ecological problems.

Transferability Criteria

- Other companies have similar problems.
- Available technologies offer a reasonable probability of providing a solution.
- The problem is of sufficient size, in terms of business value.

Source: Adapted From Stora Enso

Figure 2. AI Startup Evaluation Principles

Focus on their value proposition
Learn who they are and what they’ve done before
Pay attention to the company’s direction
Only ask for basic financial details

- Look for startups that pitch a solution to your specific business problem in detail.
- Avoid startups that attempt to shoehorn your problem into an existing, one-size-fits-all solution.
- Dig into details about individual team members’ backgrounds for insight into a startup’s abilities.
- Don’t get too hung up on specific credentials; look for plausible narratives.
- Some startups may be potential long-term partners!
- You want to understand a startup’s positioning.
- You’re not investing, so you don’t need specifics.

Source: Adapted From Stora Enso

Figure 3. Business Problem Selection Criteria

Stora Enso publishes its business problems via Combient Foundry, a Nordic venture partner alliance.

Externally Marketable Business Problems

AI Startup Partners

Source: Adapted From Stora Enso

42 Gartner Business Quarterly
**Figure 4. Win-Win Startup Negotiations**

<table>
<thead>
<tr>
<th>Benefit to the Enterprise</th>
<th>Rules of Engagement</th>
<th>Benefit to the Startup</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensures the enterprise gets a <strong>bespoke solution</strong> that meets their technical needs</td>
<td>Disclose technical delivery requirements up-front.</td>
<td>Streamlines the development process. Protects the startup from governance and architectural reviews.</td>
</tr>
<tr>
<td>Mitigates risks that arise from <strong>multiple initial startup engagements</strong> across the enterprise</td>
<td>Avoid IP exchange (in initial engagement).</td>
<td>Ensures the startup knows the enterprise <strong>will not capture them</strong> or their work.</td>
</tr>
<tr>
<td>Uses the enterprise’s scale to be an attractive startup partner</td>
<td>Don’t sell data (in initial engagement).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take responsibility for productionizing and scaling solutions.</td>
<td>Dramatically <strong>decreases time to product</strong> (and payment!).</td>
</tr>
<tr>
<td></td>
<td>Accept limited warranty and good enough delivery.</td>
<td>Mitigates legal risks.</td>
</tr>
</tbody>
</table>

Source: Adapted From Stora Enso

**Figure 5. Benefits to Stora Enso**

- **Startups Screened**
  - 2017: 120
  - 2020: 401
  - Increase: 3.3x

- **Startup Partnerships**
  - 2017: 3
  - 2020: 10
  - Increase: 3.3x

Stora Enso increased the number of startups screened by **more than 3X** increased the number of startup partnerships by **more than 3X** and deployed **more than 26** new products in three years.

n = 521 Startups; 13 Partnerships
Source: Adapted From Stora Enso
A Digital Twin of a Customer Predicts the Best Consumer Experience

by Michelle Duerst, Christine Colborne and Alfonso Velosa

Customer understanding and compassion were center-stage for organizations during the height of the COVID-19 pandemic.¹

That’s because they were forced to look at things differently. And the need to rethink how companies treat customers has not — will not — go away; buying habits have changed.

Executive leaders can respond by extending the concept of “digital twins,” common in manufacturing, to drive revenue, engagement and loyalty, increasing efficiency while also feeding insights into new product and service development.

Automakers use the Internet of Things to collect data and apply artificial intelligence — including machine learning — to model what is likely to happen in the future.²

Just as a digital twin of an engine can be used by engineers for predictive maintenance, a digital twin of a customer can be used by different departments within an organization (e.g., product management or customer experience teams) to simulate and anticipate customer behavior (see Figure 1).

---

Figure 1. Digital Twin of a Product vs Digital Twin of a Customer

<table>
<thead>
<tr>
<th>Origin</th>
<th>Digital Twin of a Product (Model)</th>
<th>Digital Twin of a Customer (Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Engine design in CAD (computer-aided design) software or operational data in an IoT or APM (application performance management) service</td>
<td>Persona</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Refined with data sources</th>
<th>Digital Twin of a Product (Model)</th>
<th>Digital Twin of a Customer (Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Use conditions (e.g., frequency, location, etc)</td>
<td>• Digital plus physical interactions</td>
<td></td>
</tr>
<tr>
<td>• Integration into other systems of record, ecosystem/environment characteristics</td>
<td>• IoT: location-based service or smart cameras</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Additional data sources, like market research, “voice of the customer” surveys, social analytics</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome to provide in an application</th>
<th>Digital Twin of a Product (Model)</th>
<th>Digital Twin of a Customer (Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Preventative maintenance</td>
<td>• Improve products/services and customer experience and longevity</td>
<td></td>
</tr>
<tr>
<td>• Anticipate engine behavior</td>
<td>• Anticipate customer behavior</td>
<td></td>
</tr>
<tr>
<td>• Facilitate new business models</td>
<td>• Drive new monetization models</td>
<td></td>
</tr>
</tbody>
</table>

Source: Gartner
A digital twin of a customer is more than the concept, familiar to marketing executives, of a “persona.” Instead of merely collecting data points, it provides context and predictions of future behaviors. These twins use both online and physical interactions and are dynamic, updating as new information comes in and recognizing that a single person can exemplify more than one persona—and those personas may shift over time.

The twin collects enough data to accurately simulate the customer experience—moving them to more positive consumer-business relationship stages by fulfilling expectations and providing unexpected moments of delight.

It’s a concept that builds on the existing work customer experience (CX) leaders do when they apply machine learning technologies to customer behavioral data. For example, Netflix and Google continually refine their products and services with constant tweaks to their algorithms. An impressive 80% of Netflix’s stream time is achieved through its recommender system. Netflix also creates a user experience to improve retention rate, which translates to savings on customer acquisition (estimated $1 billion per year as of 2016).

But you don’t have to be a Netflix or a Google to improve consumer experience—and, digital twins of customers can apply to many more situations and industries.

With notable shifts in how people want to spend their money (global e-commerce hit $26.7 trillion in May 2021) alongside in-person experiences (e.g., a visit to a store), your company must build an understanding of your customers’ evolving motivations.

- How do they feel about their relationship with your organization?
- How have their expectations changed?
- How do they want to buy products and services?

Meet the Digital Twin of a Customer

Consumer confidence is key for many industries. And it’s not just about someone having confidence in a brand but having confidence in themselves as consumers. A digital twin can help businesses improve that experience and retain loyalty while also identifying the friction points that lead customers to defect to competitors.

Some may think it’s just marketing but there’s more to it than that: The concept builds on the capabilities of the CX (customer experience) CORE (customer, organization, relationship, experience) model, which creates lasting and valuable relationships with people and groups. This is combined with a business strategy, total experience (TX), for creating superior shared customer and employee experiences.

- CX CORE creates a persona for an individual, group or machine to provide more insight into the “right” TX for the persona.
- TX maps out a superior shared experience journey for customers and employees, moving them to better relationship stages.

The digital twin synchronizes with its physical representation using real-time data inputs and event-stream processing, where action is taken on a series of data points originating from a system that continuously creates data (see Figure 2). This virtuous cycle informs and affects the CX CORE persona and TX strategy.

Dynamic Customer Relationships and Superior Shared Experiences

The CX CORE (see Figure 3) acts as an organizing principle for whatever role-based or functional technologies (examples include digital commerce and location-based services) that you may use to manage your customer relationships for their entire life cycle. Here’s how it works:

- The customer in the center is surrounded by the different stages (forward, backward, start, stop) of their relationship with an organization, which frame the experience—helping you understand what’s happening with the customer and providing information about what actions to take.
- The experience membrane uses customer insights to drive the interaction principles (etiquette) that govern the two-way relationship.
Sources come from social media, contact preferences, prior behavior and other relevant data.

- The intelligent coordination, using principles from the experience membrane, delivers the customer experience (digital plus physical interactions) across the organization.
- Critically, it’s a partnership between people and technology, as not all experiences are automated, nor entirely informed by analytical insights.
- The supporting base of capabilities provides people, processes and technology enablers for customer understanding, the experience membrane and intelligent coordination.

In the CX CORE model, intelligent coordination bridges functional silos to deliver a relevant set of products and services — people and digital, in a coordinated fashion, designed for whatever stage of the relationship the customer is at — in as close to real time as is feasible. Traditionally, customer data is not meaningfully shared and coordinated across organizations. The digital twin of a customer fits into the analysis and modeling of the information continuously, and, crucially, it’s visible to the organization and the consumer.

**Figure 2. Customer Insights Cycle**

The **CX CORE** acts as an organizing principle for whatever role-based or functional technologies (examples include digital commerce and location-based services) that you may use to manage your customer relationships for their entire life cycle.
How Dynamic Personas Map Trigger Events

CX CORE defines the “who” and the “why” behind dynamic personas. These personas identify “trigger events” that would cause a customer to have negative, neutral or positive experiences during their interactions with a business. They also help you create customer-journey roadmaps (see Figures 4, 5 and 6).

Connecting Total Experience to CX CORE

Total experience (TX) interlinks CX CORE persona insights with these experience disciplines:

- **Customer experience (CX)** understands several dimensions (wants, needs, expectations, beliefs, feelings and past experiences).
- **Employee experience (EX)** increases job satisfaction, retention, skill level and productivity.
- **User experience (UX)** combines business objectives, user needs and best-practice design to optimize digital products.
- **Multiexperience (MX)** interacts across multiple touchpoints (mobile apps, web, augmented reality/virtual reality, wearables).

These techniques drive greater customer and employee confidence, satisfaction, loyalty and advocacy. (See Figure 7).

Traditionally, each experience is strategized, created and maintained in silos. TX changes this approach: It does not make one experience better — instead it continuously refines customer experiences.

Sydney’s persona can be tracked and evaluated (tools she uses, stylist she engages with, frequency of buying habits).
Figure 4. Sydney’s Dynamic Persona (Example)

<table>
<thead>
<tr>
<th>Name</th>
<th>Sydney</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Biography</td>
<td>Gen-Z, Millennial budget and trend-conscious</td>
</tr>
<tr>
<td>Hypothesized Jobs</td>
<td>Wants to stay current on hair/beauty trends</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age, Income, Education</th>
<th>19, college student, follower of major influencers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Responsibilities</td>
<td>Student, part-time work in community</td>
</tr>
<tr>
<td>Preferences</td>
<td>Social proof from other buyers</td>
</tr>
<tr>
<td>Key Attributes</td>
<td>Looking for expert advice</td>
</tr>
<tr>
<td>Functional and Emotional Needs</td>
<td>Concerned about quality, but needs to be budget-conscious</td>
</tr>
<tr>
<td>Key Challenges</td>
<td>Wants to visualize what she would look like before she commits to a trend</td>
</tr>
</tbody>
</table>

Source: Gartner

Figure 5. Sydney’s Trigger Events (Example)

- **Negative**
  - Breach of trust
  - Unfulfilled expectations
  - High effort/friction
  - Low perceived value

- **Neutral**
  - Confidence
  - Fulfilled expectations
  - Low effort/friction
  - Perceived value

- **Positive**
  - Proactive protection
  - Concierge support
  - No to minimal effort
  - High value

Source: Gartner

Figure 6. Sydney’s Journey Roadmap (Example)

- **Sydney**
  - Sydney cannot find products that will help her get her latest trend looks

- **Provide AI tools to show what she would look like with new color**

- **Provide 1:1 consultation with a hair stylist**

Source: Gartner
A marketing campaign is triggered based on events, e.g., her last purchase. A digital twin of a customer goes further and looks at what relationship stages she has and what additional products and services should be offered to move her to a more positive customer experience:

- **Negative stage (color didn’t work for her):** She could book an appointment with a stylist who can identify how to correct the issue and explain each step of the coloring process.

- **Neutral/meeting expectations:** She could buy a personalized colored conditioner to extend the color.

- **Positive/exceeding expectations:** She could receive a personalized update on latest trends and how to achieve them based on her past interactions/purchases.

The result? Sydney benefits from the use of a digital twin, while the business gains additional customer-satisfaction insight.
L’Oreal Hair Color Concierge
Consumers connect directly with professional stylist as well as use AI to see what new colors/styles would look like on them.

Source: Gartner
# How to Develop a Digital Twin of a Customer

<table>
<thead>
<tr>
<th>Immediate Action</th>
<th>Short-Term Planning</th>
<th>Long-Term Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>• IT should audit your customer data quality and sources of customer insight.</td>
<td>• Build a profile of customer behavior and model what their next actions could be for a particular customer journey.</td>
<td>• Create a digital twin of a customer “tiger team” to discuss the implications of this concept on operational processes and the business model.</td>
</tr>
<tr>
<td>• Extend CX CORE personas by using a digital twin of a customer to represent models for individual customers based on the personas.</td>
<td>• Speak to your customers about data transparency and develop an understanding of what physical and digital interactions they need from your organization.</td>
<td>• Regularly speak to your team about privacy regulations and laws and work through how to track dynamic personas and their relationship stages.</td>
</tr>
<tr>
<td>• Use TX interactions to populate the digital twin of a customer and use evolving models to shape future interactions.</td>
<td>• Identify the value a digital twin brings for the customer, not just for the organization.</td>
<td>• Build a profile of customer behavior and model what their next actions could be for a particular customer journey.</td>
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<td>• Build a profile of customer behavior and model what their next actions could be for a particular customer journey.</td>
</tr>
</tbody>
</table>

Source: Gartner
Despite the buzz, the metaverse has not yet reached its time. Another phase, autonomous business, must pave the way. Pioneering companies are starting to stitch together AI-enabled networks of programs and robots that write contracts, manufacture goods and sell services – with each component self-adjusting output as circumstances change.

Let’s head to the whiteboard and sketch out how to proceed beyond mere automation — and even hyerautomation. Can we lift the entire enterprise to new peaks of efficiency?
Where are the leaps in productivity we need?

Economists have worried about the **slow pace in productivity growth** throughout the opening decades of the 21st century.

**Global, AE and EMDE Economies' Productivity Growth**

- **World**
- **Advanced Economies**
- **Emerging Markets and Developing Economies**

Source: Adapted From World Bank Group

---

**Converging crises amplify this nagging concern:**

1. **Inflation is on the rise.**
   - 0.8% Japan
   - 1.5% China
   - 3.5% Australia
   - 5.0% EU
   - 5.4% UK
   - 7.0% US

2. **Talent is on the move, leaving companies short-staffed.**

3. **War and geopolitical instability disrupt the world, and business.**

   - **January to February 2022**
     - 8 of ten countries saw gains in job postings

   - **February 2022**
     - **US**: marginal MoM decline of 0.3%; YoY increase of 29.0% in job postings

4. **Addressing climate change requires a more efficient circular economy.**

---

**Ukraine war having 'deadly' impact on Arab region, says Blinken**

**Ukraine war to halve global trade growth, warns WTO**

**UN: Over 5 million refugees have fled Ukraine since Russian invasion began**

**Chinese President Xi Jinping warns it could take decades to repair economic damage caused by Ukraine crisis**
What will it take to jumpstart a new wave of productivity growth?

Strategic value focus shifts to:
- who (or what) makes
- and who (or what) sells …
as AI augments human workers and customers.

Meanwhile, blockchain changes who owns and who controls organizations.

**Autonomy is the common key to a:**
- human centric workforce and
- modern technology enabled automation.

Provides higher levels of autonomy …
- … for increasingly AI enabled machines and the people who oversee and use them
- … in order to get advantages from both in collaboration

How is autonomous operation different from automation?

- AI-enabled ability to create and deliver products and services.
  - Software algorithms and physical robots that have authority and capability to adjust themselves
  - They can respond to changes in demand and in the world

What is autonomous business?
A new phase — the missing link between digital business and the metaverse.
This **mobile robot** in an automated warehouse **automatically rearranges vertically-stacked storage** to keep the most popular products near the top.³

**The road to the “lights out” factory is run by algorithms and robots.**

- Use autonomous machines to replenish workstations? Load materials? Manage changeovers?
- Shorten inspection time by combining computer vision and edge technologies?

**Pitfalls:**

- Cost
- Quality consequences
- Change management
- Will we need to reengineer assembly processes?

**Autonomous operations will create auto adapting products.**

**Combining elements** to uniquely tailor products for individual customers. (i.e., the way clothing is stitched or the way investment portfolios are composed)

**Many auto adapting products will continue to learn and adjust themselves**⁰ after they have been sold to customers.

**One mass market, cloud-connected, robot lawnmower** uses live local weather information and other factors such as grass species and fertilizer type to optimize its action for your specific lawn. It even schedules itself so as not to disturb the sleep patterns of hedgehogs!

**Some will become customers themselves** — ordering their own new parts and refills, scheduling maintenance, buying insurance.

**Machine customer arrival is a forcing function.** Slow, human-only management systems won’t be able to cope with the complexity and change rate of machine customer markets.
Can we compensate for inflation by investing in more hyper automation and robots?

Yes! But ...

A few organizations facing acute worker shortages are suddenly trying to automate everything ...

... and crass knee-jerk automation could damage your employer reputation with the talent you desperately need.

Substituting machines for people could leave the enterprise less competitive if it damages culture and morale.

Automate the right way — remove human drudge work.

82% of business technology initiative leaders say they will increase physical automation.

Only 21% of CIOs say they will increase hyperautomation that’s mostly in knowledge work.
What is the role of managers in an autonomous enterprise?

Inefficiencies that a machine-based business can address:

- Management as a bloated cost for organizations
- A constant load of approval workflows, resource management, calendar management and talent processes
- Preparing and conducting operations reviews and enterprise planning.
- Heavy, isolated and dysfunctional management structures

For middle management and line management.

For senior leadership.

The Problem: Without substantial automation and augmentation, management itself will be the key point of failure when an industry transitions into the machine based economy.

Overwhelmed managers will need AI to augment and advise them about situations and judgment calls, describing the critical choices they need to make.

Raising their game out of lower-level admin drudgery and onto coaching, inspiring, connecting and higher challenges.

Less time wasted in gathering and simple analysis of information, more time spent on creative solutions.
How do managers (and their managers) need to change in an autonomous enterprise?

Stop defining a manager’s value by the number of employees they oversee — instead, look to the power and impact of the decisions they make.

Start improving digital and data literacy — know how to interpret machine-delivered insights to support decision making.

Start considering how to detect world events that can disrupt systems that augmented managers have come to rely on — use anticipation mechanisms and more powerful business simulation through synthetic data.

We need a new virtuous circle — blending human-centricity with autonomous business — not a conflict.

People to higher levels of capability and engagement.

- Personal Autonomy
- Advance Business Technologists
- More complex work by employing AI enabled learning machines.

People to advance their skills via agile learning.

- Create Time to Learn
- Exploit Data and Tech
- Wealth through better productivity, superior products and machine customer markets.

People by reducing low level task burdens and allowing them to work more flexibly.

- Remove Drudgery
Is anyone getting close?

Very few meet this definition today.

On track to change:

Investment fund management companies
where algorithms do the work.

Customers can be humans or other algorithms that invest in the financial markets with multiple types of assets, and increasingly, those assets are on blockchains.

How long could a broader transition take?

A decade, perhaps ... but it will be the most profound information technological business transformation customers, enterprises and markets in general have ever faced.

---

2 Government statistical offices, CPI, December 2021
3 Gartner Monthly Job, Skill and Occupation Demand Trends Report (March 2022 Edition)
6 https://www.axios.com/ukraine-refugees-russian-invasion-9f8b6e8e-87ed-4a5b-b7e9-d9229b373dca.html
10 https://koreaajoonangdaily.joins.com/2022/03/16/business/finance/robo-advisor-ai-investment-fint/20220316181855368.html
Smarter Spending & Planning

You Can Avoid Surprise Bills for Your Cloud Systems

Organizations that use cloud-based database management systems are often dismayed by how much they’re spending, especially as implementation expands. Data and analytics leaders should work with their chief financial officer on a three-pronged cost management strategy.

1. Design proactive budget controls. For instance, develop artificial intelligence/machine learning predictive models that train on performance/cost data to indicate when real-world behavior deviates from expectations. Monitor at the user, project and line-of-business level to understand when overspending may occur. Also important: identify heavy resource users. Then offer them tools and guidance for avoiding unnecessary consumption that exceeds the allocated amount.

2. React to risky behavior and unexpected spending in the cloud. The remediation can be as simple as emailing users and management when they are at risk of going over budget. If possible, throttle back capacity until the next budget cycle, or shut down idle nonproduction resources used for development, testing and quality assurance.

3. Leverage existing features of the cloud systems for financial controls. For instance, the flexible pricing models that many service providers offer allow organizations to pay for what they use, while the traditional resource-based pricing models provide greater budgeting predictability.

— Adam Ronthal

Gain Value from the Long-Range Financial Plan with 3 Situational Use Cases

Finance leaders typically use a long-range financial plan (LRFP) — a tool for quantifying multiyear financial implications of corporate strategy — to align senior leaders and inform the board about the organization’s planning. However, financial planning and analysis leaders can apply the LRFP in three additional situations to support decision-making in the business as needed:

1. Pressure test a proposed long-term strategy. Use risks and opportunities demonstrated in the LRFP to provide a lens of reality for business leaders. Clear, objective numbers can temper a plan that appears overly optimistic.

2. Translate financial blueprints into specific operational actions. Confusion about implementation is common at the outset of any new-in-kind strategy — for example, an ambitious return to growth for a business unit in decline. Highlight the targeted financial goals in the LRFP which the particular business unit has an instrumental role in achieving. This will help business leaders identify relevant operational metrics as tangible targets to meet.

3. Analyze the multiyear implications of unexpected issues. High-impact events after budgeting season often lead business leaders to suggest quick short-term fixes. Evaluate these proposals against the LRFP to expose long-term implications for the business unit and organization.

— Noah Gardner and Faith Vakil
Talent & Culture

Don’t Let a Negative Candidate Experience Drain Your Talent Pool

Jobseekers are not short of opportunities, so making sure they have a positive experience when applying for a role is a competitive advantage for organizations. After all, two-thirds of applicants have reported at least one negative experience in the hiring process.

Complaints fall into two categories: communication and technology. The first bucket includes rude recruiters/interviewers, a mismatch between the job description and the position or extended gaps in contact. The second includes the need to reenter information already on their resume, unclear guidance on the hiring process or cumbersome application portals.

To improve this experience, hiring managers should:

1. Be clear about your must-have requirements and what you can offer (e.g., flexibility, benefits, salary range). Allow them to self-select out of roles that aren’t the right fit. This saves time for them and recruiters, too.

2. Be transparent about timelines because, while companies should try to accelerate the interviewing and decision process, they should also communicate how long each step will take. Interviewees can then plan accordingly.

3. Stay in touch with those who need the process to move quickly because they are considering other offers. Keep communication flowing with regular updates, especially if there are unexpected delays.

— Jamie Kohn and Tess Lawrence

One Kind of Flexibility Is Best At Keeping Personal Distractions at Bay

Since the pandemic began, 53% of U.S. employees on the job have engaged more often in personal activities — such as watching or listening to media or entertainment content and shopping online — according to 731 workers we surveyed in 2021.

However, having control over their own work schedule limited interruptions from employees’ private life more than other types of flexibility, the same survey finds. For instance, only 17% of the group with command over their time reported increased media consumption on the job, compared to employees who can choose their work location (36%), both location and schedule (23%), and neither (29%).

Business unit leaders must work with their HR partners to help employees balance their professional and personal lives.

1. Avoid mandating specific hours for in-person or virtual work. Encourage managers and their teams to discuss ways to set their own beginning and ending times that make sense to the business, while helping the individual meet personal responsibilities.

2. Where flextime is unfeasible, offer options to adjust work hours. For instance, allow staff to work longer over fewer days in a week, work less for a pay cut during a rigid period, or set up systems for viewing and trading shifts.

— Anna Maria Virzi
Growth & Innovation

Digital Innovation Is a Grand Orchestra at Repsol With Everyone Playing A Part

To accelerate the pace of digital innovation, executive leaders should shift IT’s role from “run and control” to “orchestrating” technology work performed across the enterprise. Repsol, a global energy company, did exactly that — gradually transforming its technology operating model to empower the business.

The chief information office created a digital innovation group (DIG) to help business leaders define their digital strategy and run small experiments. Meanwhile, the traditional IT department concentrated on internal transformation such as modernizing core systems. Eventually, DIG and IT converged to form software development and IT operations (DevOps) teams that design and scale business-led digital experiments.

The result? Business leaders at Repsol developed the expertise to own and execute on their digital portfolios through multidisciplinary teams, known as fusion teams, embedded within their business lines. Meanwhile, DIG and IT enabled fusion teams’ work by bridging their resource gaps and providing technological support.

Be inspired to enable widespread digital innovation and delivery:

1. Empower IT to provide business leaders with just-in-time resources, like early-stage funding for risky ideas, experts for strategy and portfolio management or specialized digital talent.
2. Bolster foundational IT services such as self-service analytics and marketplaces for artificial intelligence/machine learning models so fusion teams can collaborate, develop and scale digital experiments.

Consistently Meet B2B Customers’ Needs During New Product Development

With lengthy buying processes and multiple decision makers involved, B2B organizations often struggle to fully understand and keep up with fast-evolving customer needs. When developing new products, R&D leaders must:

1. Gather high-quality feedback by identifying and engaging with your most important customers. Target those with high revenue potential or in growth segments. Offer benefits — such as market analysis in their industry — to gain their collaboration and forge ongoing, win-win relationships. Then continuously collect feedback through rapid learning and prototyping cycles.
2. Avoid taking customer insights at face value. Rather, surface unarticulated needs, pressure-test data quality and validate organizational assumptions. Prioritize features by their importance to intended users and experiment with different ways to solve customer problems to find the best product solution.
3. Align product development decisions to your organization’s long-term business goals and customers’ mission-critical priorities, not just immediate, ad-hoc desires. Make sure your R&D portfolio strategy and product and technology roadmaps reflect those vital principles. From there, check every incoming project’s strategic alignment before deciding what to pursue.

— Anurag Raj

— Ella Yan
**Data & Technology**

**Employees Know It’s Wrong to Break Cybersecurity Rules, But They Still Do It**

Over 80% tell us they believe that acting securely is valued at their organization — but many of them violate policies anyway.

Senior leaders and managers actively support awareness programs to encourage better conduct. But breaches remain stubbornly prevalent, with half of the 2,244 employees we surveyed reusing passwords and 37% clicking on email links from unknown sources. Worse still, IT workers and senior-level staff are among the most likely to flout security policies — with the potential to cause greater damage because they have more access to sensitive data.

Looming deadlines, budget restraints and performance goals contribute to the problem.

These habits remain hard to break.

Here’s how security leaders can address these bad practices now:

1. Create a culture of personal risk ownership. Encourage your workforce to feel personally responsible for things like handling sensitive data and good email hygiene, rather than just depending on cybersecurity to keep everything safe — employees who do this are over 20% less likely to click on a phishing link.

2. Make security policies easier to follow (e.g., implement single sign-on to reduce password fatigue). Staff must see the secure option as the most simple and obvious one.

— Phillip Shattan

**Five Ways to Handle Delivery Delays for Network Equipment**

Organizations are reporting lead times up to 400 days for delivery of network equipment and they’re complaining about higher prices and vendors failing to deliver on promised shipping dates. These delays, caused by the global semiconductor shortage, are hampering important business activities, including the opening of new locations and application rollouts.

Nearly all network hardware vendors have been hamstrung by the delays, but they are responding in a variety of ways. That’s because they have different portfolios, supply chains and strategies. Some are prioritizing the supply of chips for higher-priced equipment.

Until lead times start slowly improving — which we expect in early 2023 — infrastructure and operations leaders responsible for networking have five viable options:

1. Optimize existing assets as most enterprise switches operate below 75% port capacity.

2. Consider public cloud and hosting for data center use cases.

3. Move to the front of the line via entertaining vendor competition.

4. Look to certified, used network equipment.

5. Hold on to what you have as most organizations refresh equipment well ahead of its useful life ending.

— Andrew Lerner
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