Third Quarter 2021:
New Ways to Organize for Agility and Speed

A Unified Commercial Team That’s Purpose-Built for Serving Customers

How to Shift Leaders to a Company-First Mindset

4 Lessons From Land O’Lakes on Building a Digital Ecosystem

Dynamic Risk Governance Starts With Shared Data

Leaders Clear the Path for Speed and Cooperation at the Team Level

HR and Compliance Must Join Hands to Build Day-to-Day Inclusion

The Whiteboard: Big Questions to Ask About Bridging the Bot-Human Divide
New Ways to Organize for Agility and Speed

Letter From the Editor

In the run-up to recovery — on both the health and economic fronts, we hope and expect — nearly 90% of board members say they see more pandemic-fueled need for strong cross-functional collaboration.1 Meanwhile, CEOs most often cite speed and agility as the trait they admire in companies that have been navigating the crisis well.2

So don’t neglect reporting lines, partnership frameworks and critical business processes as you start planning for next year. The reopening of offices and facilities spotlights the need to rethink where and when employees work; seize this chance to reassess how the institution works too.

Two common threads appear in best practices well-suited for this moment:

1. Sharing, and yes, ceding — control, money, data — leads to speed, if it’s done right.
2. Good change is still more change. New arrangements should account for exhaustion.

In the short articles inside, you’ll read about companies that reinvented traditional function-to-function relationships, shifted business unit attitudes toward budgets, built cooperative data platforms, reviewed org design and helped small groups balance workloads together.

You’ll find real-world experience shared by leaders at an international group of organizations — large and midsize, private and public — including TD Bank, Novo Nordisk, Western Health, Land O’ Lakes, Mercado Libre, Mastercard, SMART Technologies and Hilti.

GBQ advises you on aligning with others and reaching 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, a look at provocative new data, and Briefs, short takes about smarter spending & planning, talent & culture, growth & innovation, and data & technology.

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

— Judy Pasternak

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Offering Benefits Beyond a Certain Threshold Yields Diminishing Returns
Organizations providing an average of four well-being offerings before disruption experience a 24.4% increase in the likelihood of sustaining physically and emotionally healthy employees, networks and work environments. For each benefit on top of this baseline, expect only a 2.3% improvement.

Impact of Adding Additional Well-Being Offering Beyond the Average During Disruption
Percentage Change in Likelihood of Sustaining Workforce Health

<table>
<thead>
<tr>
<th>Well-Being Offering Categories</th>
<th>24.4%</th>
<th>2.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career</td>
<td></td>
<td></td>
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<tr>
<td>Mental/Emotional</td>
<td></td>
<td></td>
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<tr>
<td>Community/Social</td>
<td></td>
<td></td>
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<tr>
<td>Family</td>
<td></td>
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</tbody>
</table>

n = 3,690 Employees
Source: 2021 Gartner Workforce Resilience Survey

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Your Employees Are Restless — But A Lot of Job Hunts Will Be Internal

Three corporate functions — all critical to gearing up for growth — will face the highest turnover as the "great churn" gets underway, according to 167 HR leaders.

Functions With Highest Attrition Risk

<table>
<thead>
<tr>
<th>Percentage of HR Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
</tr>
<tr>
<td>IT</td>
</tr>
<tr>
<td>Sales and Marketing</td>
</tr>
<tr>
<td>R&amp;D</td>
</tr>
<tr>
<td>Finance and Accounting</td>
</tr>
<tr>
<td>HR</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Admin</td>
</tr>
</tbody>
</table>

44% Operations
44% IT
27% Sales and Marketing
23% R&D
20% Finance and Accounting
17% HR
7% Other
6% Admin

n = 167 HR Leaders
Source: Gartner Attraction and Retention Strategies in a Hybrid World Webinar Poll (30 June 2021)

But employers have an opportunity to hold on to their talent: shift their roles. In fact, 40% of high-in-demand IT professionals told us they plan on looking for their next job at their same company.

Do You Intend to Seek a New Position in the Next Three Years?

Percentage of Employees Planning to Look for a Position in the Next Three Years

Internally or Externally

- IT: 40%
- Finance and Accounting: 28%
- HR: 24%
- Sales and Marketing: 23%
- Operations: 19%
- Other: 18%
- Admin: 17%
- R&D: 16%

n = left chart 5,674; right chart 2,500 (IT), 823 (Finance and Accounting), 425 (HR), 908 (Sales and Marketing), 568 (Operations), 672 (Other), 1,114 (Admin), 285 (R&D)
Source: 2021 Gartner Digital Worker Experience Survey

Remote and Hybrid Working Environments Offer Avenues for Meaningful Inclusion

On average, both men and women experience a greater sense of inclusion in the hybrid and remote working environments.

Gender Differences in Inclusion Across Work Environments

Average Well-Being

<table>
<thead>
<tr>
<th></th>
<th>On-Site</th>
<th>Hybrid</th>
<th>Remote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>3.43</td>
<td>3.63</td>
<td>3.79</td>
</tr>
<tr>
<td>Male</td>
<td>3.78</td>
<td>3.86</td>
<td>3.78</td>
</tr>
</tbody>
</table>

Q: "My Team Ensures All Team Members Feel Equally Heard and Respected"

Percentage of Knowledge Workers That Agree

Employees Without an Impairment or Medical Condition

- On-Site: 64%
- Hybrid/Remote: 56%

Employees With an Impairment or Medical Condition

- On-Site: 54%
- Hybrid/Remote: 60%

n = 2,410 Hybrid/remote knowledge workers
Source: 2021 Gartner Hybrid Work Employee Survey

The pandemic also revealed that employees with disabilities prefer hybrid and remote environments, where they feel respected and supported.

Q: "My Manager Aims to Provide Equal Access to Their Time to All Their Direct Reports"

Percentage of Knowledge Workers That Agree

Employees Without an Impairment or Medical Condition

- On-Site: 71%
- Hybrid/Remote: 81%

Employees With an Impairment or Medical Condition

- On-Site: 70%
- Hybrid/Remote: 80%

n = 630 (On-site), 378 (Female); 1,452 (Hybrid), 539 (Female); 949 (Remote), 481 (Female)
Source: 2021 Gartner Hybrid Work Employee Survey

Note: Inclusion was measured on a 5-point scale, with 1 representing the lowest possible inclusion score and 5 representing the highest possible inclusion score.
A Majority of Employers Help Fund Home Office Costs

Almost as many organizations cover equipment and service payments for hybrid employees as for fully remote employees.

Infrastructure Costs Organizations Cover for Fully Versus Partially Remote Employees

<table>
<thead>
<tr>
<th>Costs for Purchasing Hardware</th>
<th>71% (Fully Remote)</th>
<th>60% (Partially Remote)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs for Transferring Office Equipment to Their Homes</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>Paying for Cellphone or Home Phone Use</td>
<td>37%</td>
<td>34%</td>
</tr>
<tr>
<td>Paying Internet Bills</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Purchasing Home Office Furniture</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>One-Time Stipend</td>
<td>18%</td>
<td>22%</td>
</tr>
</tbody>
</table>

n = 65 (Fully remote), 50 (Partially remote)
Source: 2020 Gartner Improving Employee Engagement Survey

Leaders today have a unique opportunity to shape the future of work and it’s time to be more intentional about it — whether employees are working at home, remotely, in reimagined on-site locations or some combination of the three.

75% of hybrid or remote knowledge workers say their expectations for working flexibly have increased, and

Four out of 10 employees are at risk of leaving if you insist they return to an in-person office environment.

Explore our key insights and resources on the future of work and rethink your workplaces, work models and workflows from the ground up.

gartner.com/en/insights/future-of-work
A Unified Commercial Team That’s Purpose-Built for Serving Customers

by Brent Adamson

Suppliers aren’t selling the way B2B customers prefer buying. This increasing divergence reflects a sales and marketing model that’s outlived its utility. So what's the alternative? For Jenna Pipchuk at SMART Technologies, the answer was to completely rethink the company’s commercial engine “from the ground up.”

Formerly head of sales, Pipchuk now co-leads a unified commercial team along with Jeff Lowe, the former head of marketing. The transformation at SMART, an education technology firm based in Canada, stems from the recognition that a growing number of B2B purchasers don't want to interact with company reps at all (see Figure 1). And they don’t have to.

Customers can (and do) get information online to inform their purchase decisions, even for complex products. The opportunity for sales to directly engage buyers is shrinking: 750 B2B customers reported spending only 17% of their total buying time interacting with supplier sales teams, and that was before the COVID-19 pandemic.² Today’s customers follow a nonlinear path. They may seek sales rep input early in a deal to explore solutions but return to digital platforms to build requirements. Later, as additional stakeholders become involved, they may rethink their initial problem altogether, leading them to reevaluate potential solutions — with and without sales rep involvement along the way.

Yet, most B2B sales and marketing teams still function in a serial manner. Marketing uses digital content to engage prospective buyers early in their purchase process, assessing their readiness and fitness for sales rep interaction. In the middle is the “handoff,” where marketing passes the baton to sales and online gives way to human-led customer engagement. Next, individual sellers take over, pursuing qualified leads through in-person or virtual interactions.

The result: Seller and buyer are dangerously out of sync.

A Case for Reconfiguration: SMART Technologies

At SMART, Pipchuk and Lowe decided to go big. Instead of trying to align better, they completely dismantled traditional sales, marketing, customer success and service teams and reconfigured them into what SMART calls the Unified Commercial Engine (UCE).

Since its introduction 18 months ago lead volume is up 50%, lead acceptance has increased 35% and year-over-year growth stands at an incredible 48% — all during a pandemic. Liberated from traditional functions tied to antiquated processes, the UCE has eliminated missed opportunities to drive growth and engagement, and costly duplicative efforts for messaging, analytics and technology.

Designing the UCE to Reflect How Customers Buy

SMART built the UCE through a careful mapping of customers’ buying behaviors across a range of predictable jobs (or tasks) that take place as part of a typical purchase.

The team identified five common tasks for buying their products: learn, buy, order/ship/install, adopt and support. Commercial leaders specified the activities staff would need to perform to help customers complete each task. Then leadership pinpointed the skills needed to perform those activities well. As a result, SMART reassigned over 250 members of legacy marketing, sales and success staff to internal teams specifically deployed to support each shopping step.

In addition, SMART created three centers of excellence: one for data and systems, one for customer insights and messaging, and one for digital and creative experience. The company consolidated overlapping work, maintained a single view of the customer and influenced purchase decisions at every stage of the cycle.
Finally, the team deployed the staff in geographically aligned “pods” of six to 10 employees supporting each of the respective five buying tasks. Pod leaders make sure their team provides customers in that geography with whatever support they might require through whichever channel at whatever time, on whatever they need help with. So, the pod for the southeast U.S., for example, is made up of people assigned to assist the entire range of jobs from learn to support across all relevant digital and in-person channels (including third-party distribution). See Figure 2 for more.

Creating Shared Accountability for Supporting Customers Through Common Objectives

Unlike a function-based dashboard, which can encourage teams to prioritize their own goals over the customer’s, the UCE metrics align everyone around client outcomes. It also helps staff see beyond the scope of their immediate responsibilities.

The insight generated from the dashboard serves as the basis for all business performance conversations and helps uncover where to intervene for improvements or to scale best practices. Moreover, the common commercial goals encourage pod members to work together in new ways.

The UCE, and its attendant support structures and policies, unleashed a new era of collaboration at SMART Technologies. Employees partner with one another regardless of commercial background or role.

Figure 2. A New Way to Organize

<table>
<thead>
<tr>
<th>Individual Expertise</th>
<th>Learn</th>
<th>Buy</th>
<th>Order/Ship/Install</th>
<th>Adopt</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pod: Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pod: Germany</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Characteristics of Pods:
1. 6 to 10 members in each pod
2. Common KPIs
3. Aligned to customer market (e.g., geography)

Figure 1. Impediments and Solutions to Creating a Companywide Mindset

<table>
<thead>
<tr>
<th>Institutional Impediment</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUs and functions</td>
<td>Revisit budget allocations in-year.</td>
</tr>
<tr>
<td>consider budgets to be</td>
<td></td>
</tr>
<tr>
<td>locked in and untouchable</td>
<td></td>
</tr>
<tr>
<td>or have a sense of</td>
<td></td>
</tr>
<tr>
<td>entitlement to funding.</td>
<td></td>
</tr>
<tr>
<td>BU-level incentive</td>
<td>Establish company-weighted performance incentives.</td>
</tr>
<tr>
<td>structures typically</td>
<td></td>
</tr>
<tr>
<td>encourage BU-focused-</td>
<td></td>
</tr>
<tr>
<td>performance.</td>
<td></td>
</tr>
<tr>
<td>BU boundaries can inhibit</td>
<td>Finance should seek out and share best revenue-generating practices.</td>
</tr>
<tr>
<td>communication with each</td>
<td></td>
</tr>
<tr>
<td>other to share revenue-</td>
<td></td>
</tr>
<tr>
<td>generating practices.</td>
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</tbody>
</table>

With an economic recovery well underway in many parts of the world, one thing is certain: Enterprise operations and opportunities won’t be the same as before. Because markets and customer preferences have shifted — and are shifting still — resources also must surge where they’re needed to catch a new consumer wave or avoid fast-emerging risks. The ability to make these transfers smoothly offers a better chance of hitting companywide targets in a bad year and exceeding them in a good year.

Yet, executive leaders who want to operate in this way encounter institutional impediments that encourage groups or business units (BUs) to think of themselves first and the organization second. What happens if money or staff are trapped in place? Your company may fail to outpace the competition or end up spending too much on redundant efforts.

Instilling a company-first mindset may seem to be a cultural issue, but a new mission statement or message from the top about strategic priorities too often falls short. Instead, corporate leaders in finance, HR and the executive management team must guide and support how operational decisions are made at the BU and function level.

Three primary impediments to a total company mindset have structural solutions (see Table 1).

How to Shift Leaders to a Company-First Mindset

by Faith Vakil and Mike Lashinsky

1. 2021 Gartner Digital Buying Survey covering 982 B2B buyers located in the U.S., the U.K., Canada, Australia, New Zealand, Hong Kong and Singapore. Respondents were involved in making a purchase decision on behalf of their company that involved multiple potential vendors.
2. 2017 Gartner B2B Buying Survey involved 750 B2B buyers located in the U.S., the U.K. and Australia. Respondents were involved in an ongoing or completed business purchase.
3. The UCE dashboard comprises a range of metrics from customer engagement and sentiment to target commercial outcomes.
Problem 1: Budgets Are Considered Locked In and Untouchable

Budgets are typically seen as set in stone after they’re approved even in times of subpar performance, whether mediocre results are caused by poor managerial decisions or by external factors in the market or macroeconomy. A sense of entitlement to funding can discourage flexibility for the best interest of the organization if and when unplanned strategic or externally-driven shifts occur.

Solution: Revisit Budget Allocations In-Year

Reset expectations so budget owners understand their allocations may not be funded at 100%, depending on performance and events. One example: At a publicly traded financial services company with over $5 billion in annual revenue, the finance team adopted a project funding mechanism that disburses less than 100% of budgeted funds for major IT projects at the beginning of the fiscal year (see Figure 2). Finance only releases the full spend once agreed-upon performance and progress metrics have been met.

The new system guarantees two outcomes: That resources only continue to be spent on projects generating acceptable financial or nonfinancial results, and that resources are freed during the year, either for better-performing projects or new projects that align to new strategic priorities.

Another example: A different company ($5 billion in revenue, publicly traded) developed a more comprehensive technique that involves the entire company budget, not just a particular functional earmark.

This company reassesses total enterprise performance at the midyear point and reallocates a certain percentage of budgeted resources to better-performing areas of the company to double-down on success and meet or exceed total company targets. Finance has authority to do this without changing the amount that will be reallocated so as not to disrupt normal operations or degrade future performance, prevents resentment or undue pushback.

Take these steps to make it work:

- **Solution:** Revisit Budget Allocations In-Year

  - Identify the largest 10% of projects with budgeted spend large enough to have impact if reallocated elsewhere.
  - Establish agreed-upon milestones and spend levels the project will be measured against, as well as how these factors may affect spending later in the year.
  - Gauge progress with regular assessments; keep the reviews of all projects transparent for all project leaders to create healthy competition and recognize ambitious, efficient project management.

Problem 2: BU-Level Incentive Structures Favor a BU Performance Focus

A typical bonus structure for BU leaders is 49% based on annual BU performance and 51% on annual company performance. Under these circumstances, it’s only natural that BU managers make decisions that prioritize BU performance over company performance. If an organization wants executives to believe in “all for one and one for all,” the incentive structure should follow.

Solution: Establish Company-Weighted Performance Incentives

Skew the weighting of BU manager incentives more heavily toward companywide performance. As a result, they’ll think company-first more often and break down barriers between BUs. Also, any company-focused reallocations will be easier for BUs to accept.

A variable incentive structure like the one depicted in Figure 3, that locks in depending on changes to resource allocations also reduces the need to go back and change original budget targets. And negatively affected BU leaders still have a chance to receive close to full compensation if the company goes on to perform well. They also achieve their nonfinancial KPIs.

Problem 3: BU Boundaries Can Inhibit Sharing of Revenue-Generating Ideas

Even when the total company mindset is resourced and rewarded, one more step is necessary: Help BUs help each other bring in more revenue.

Silos are not new, but the corporate center can take some steps to alleviate the situation. Best revenue-generating ideas may go uncovered if an organization has an outsized focus on determining the “why” for underperformance instead of analyzing the “how” of overperformance.

Solution: Seek Out and Publicize Best Revenue-Generating Practices

Finance and FP&A can act as a corporate hub for information sharing if they devote more time in monthly or quarterly performance review meetings looking forward to new ideas — instead of backward at past performance — and then sharing the effective practices they uncover with additional BUs. This exercise can build a new, but essential, muscle movement in corporate governance.

At Mastercard, as seen in Figure 4, the finance function assesses the controllability and sustainability of managerial actions that led to superior BU performance for a chosen time frame. The team disseminates its discoveries to other applicable BUs that could benefit from implementing these revenue-generating practices or products. Importantly, finance does not require adoption of these ideas. This way of analyzing performance can better help BUs understand what specific actions could help them excel if they are off-target.
or to help them discover unclaimed revenue that would lead to exceeding a target. As a result, Mastercard has been able to incrementally increase BU-level targets and also have a higher percentage of increased BU targets met.

Take these steps to make it work:

• Conduct a root-cause analysis of successful performance. Separate controllable from uncontrollable drivers of target achievement to uncover the business’s true contribution to successful performance.

• Assess the quality of managerial actions that led to target achievement based on how sustainable the results are in the long term rather than solely on whether it led to good results in the short term. Mastercard asks the following questions of each managerial action under consideration:
  - Will the positive impact last beyond the short term?
  - Is this action exportable to other BUs?

• If the answer to both questions is “yes,” they move on to a “why not” assessment. Mastercard finance does not require any practices to be adopted by a BU, but they do ask the business to explain why a managerial action that worked in another business won’t work for them.

The business’s rationale for not accepting a sustainable action should provide objective data and a reasonable explanation for why the action is not applicable for its situation.

In other instances, asking the “why not” question can lead to new ways of thinking in the business and uncover applicable opportunities that otherwise may have been ignored or not considered.

“Analytics and best-practice sharing enables achievement of a higher level of performance than what normally would have happened.”

- Pratik Khowala, EVP FP&A, Mastercard

A Company-First Mindset Helps Your Organization Break Away and Stay Ahead Postdownturn

Combining these three practices gives BUs the assurance they can receive extra resources in between budget cycles to double-down on good performance and have the tools available to perform to their highest potential. In turn, it also encourages them to sacrifice for the greater good as needed.

From the Great Recession and its aftermath, we found organizations break away from the pack and stay ahead postdownturn when they commit to operationalizing and resourcing a strategy that keeps the total company aligned and focused on a singular set of goals. Now is the time to get in position for this next turn of the cycle and enable a total company mindset at all levels of the enterprise.

The Future of Decisions

The people, machines, data and analytics that leaders prioritize to gain competitive advantage.

Better business decisions happen when CIOs set the strategy for a new style of business solution delivery and further collaboration between the CDO and CIO teams.

Learn how business and IT leaders can reengineer decision making by working together to:

- **Identify** what decisions to reengineer, and why
- **Prioritize** decisions, analytics and data
- **Fit** artificial intelligence into decision making
- **Rethink** your D&A architecture
- **Build** skills, habits and teams geared for effective decision making

Download eBook
Digital ecosystems are the new frontier of technology-enabled growth. Fueled by shared platforms, they enable hundreds of participants to exchange products, data and expertise or even reinvent their business models.

Digital ecosystems are the new frontier of technology-enabled growth. Fueled by shared platforms, they enable hundreds of participants to exchange products, data and expertise or even reinvent their business models. By creating a Digital Ecosystem, organizations can easily connect and jointly solve their problems, which can lead to exponential growth and profits — 27% to 32% higher than industry averages. The largest enterprises in the world have already tapped into this power. Yet, 85% of ecosystems fail within three to seven years of launch.

Executive leaders struggle to grow and sustain ecosystems because they don’t understand the management practices needed to secure initial investments or attract, motivate and empower participants. Organizations that want to get in the game and avoid the pitfalls can look to the experience of Land O’Lakes.

To help 3,000 farmers and over 90 agricultural retailers bring their management practices into the digital era, Land O’Lakes connected them with Microsoft and agriculture technology (agtech) companies, including John Deere and Bayer, in an ecosystem. In 2020, that ecosystem generated $2.3 billion in topline sales for Land O’Lakes and partners.

To achieve that level of growth, Land O’Lakes chief technology officer (CTO) had to help other executive leaders at Land O’Lakes embrace new ways of motivating, supporting and managing ecosystem participants. Four lessons from Land O’Lakes’ success can help others chart their own initiatives:

1. Win internal support by pitching ecosystems as a cost-efficient way to meet business goals.
2. Create participant use cases to map how the ecosystem will work in practice.
3. Win external support by making strategic outcomes, not technical specifications or performance metrics, the center of partnerships to nurture a sense of collective ownership over ecosystem growth.
4. Give everyone involved the tools and training they need to easily connect and jointly create solutions.

To explain how existing investments in digital solutions weren’t effectively solving farmers’ problems, the CTO enlisted finance, strategy and farmer representatives. This group used the challenges, historical data and competitor analysis to figure out the costs of building solutions alone — nearly $2 billion annually — versus bringing together a network of partners — a more realistic $40 to $45 million per year.

Create Participant Use Cases to Show How the Ecosystem Works

To validate that the ecosystem would work, the CTO built illustrative use cases detailing which solution, capability or data each partner would provide to whom and why. For instance, farmers agree to share field, crop and weather data from their sensors and drones in exchange for tailored yield management insights from Land O’Lakes and partners.

To access these customers and their information, independent agtech companies agree to share their own data with Land O’Lakes, give exclusive access to proprietary AI models and sell products at discounted rates within the ecosystem. Land O’Lakes then uses this data to create new products and revenue streams, such as carbon credits — measurable CO₂ savings from new farming practices, which can be sold as offsets to other companies.

Companies often miss this step, which is critical for verifying your ecosystem strategy. These use cases inform decisions about how to attract participants and regulate interactions as well as the functionalities that ecosystem platforms must offer.

Teddy Bekele
Chief Technology Officer, Land O’Lakes

“Farmers have to juggle extreme weather conditions, trade regulations and changing food habits. It’s very difficult to help them with everything, especially if you try to do it alone. We’re creating an ecosystem for the entire industry to connect, share and build digital solutions for sustainable, profitable farming.”

4 Lessons From Land O’Lakes on Building a Digital Ecosystem
by Meghna Joshi

Win Internal Support by Illustrating the Cost Savings Opportunity

The hype and jargon surrounding ecosystems can create skepticism, even among leaders who understand the value of digital initiatives. To cut through doubt, the chief technology officer had to persuade Land O’Lakes executives of a benefit they could easily understand: cost efficiency.

To explain how existing investments in digital solutions weren’t effectively solving farmers’ problems, the CTO depicted the uncertainties and complexities Land O’Lakes farmers faced in the journey from planting crops to selling them (see Figure 1). And, to counter questions of why Land O’Lakes couldn’t gradually solve farmers’ problems by itself, the CTO enlisted finance, strategy and farmer representatives. This group used the challenges, historical data and competitor analysis to figure out the costs of building solutions alone — nearly $2 billion annually — versus bringing together a network of partners — a more realistic $40 to $45 million per year.

Figure 1. Uncertainties and Complexities in Clients’ Value Chains

<table>
<thead>
<tr>
<th>Key Decision</th>
<th>How much can I spend and what seed is best for me?</th>
<th>How can I optimize yields from my fields?</th>
<th>When and whom should I sell to maximize profits?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Inputs</td>
<td>Line of Credit&lt;br&gt;• Insurance costs&lt;br&gt;• Loan rates and packages&lt;br&gt;Sales Potential&lt;br&gt;• Trade and tariff controls&lt;br&gt;• Expected crop demand&lt;br&gt;Expected Growth&lt;br&gt;• Seed potential</td>
<td>Actual Growth&lt;br&gt;• Soil nutrient levels&lt;br&gt;• Weather&lt;br&gt;• Pest, disease indicators&lt;br&gt;Equipment&lt;br&gt;• Health and mileage&lt;br&gt;• Location and movement&lt;br&gt;Harvest Conditions</td>
<td>Storage Conditions&lt;br&gt;• Silo capacity&lt;br&gt;• Humidity and heat&lt;br&gt;Demand&lt;br&gt;• Dietary preferences&lt;br&gt;• Net crop volumes&lt;br&gt;Distribution Costs</td>
</tr>
<tr>
<td>Decision Enablers&lt;br&gt;Partial List</td>
<td>Weather Satellites</td>
<td>Smart Machinery</td>
<td>Crop Centers</td>
</tr>
</tbody>
</table>

Source: Adapted From Land O’Lakes

Figure 1. Uncertainties and Complexities in Clients’ Value Chains

Farmers need timely insights to lower costs, optimize yield and widen margins.

Siloed digital solutions and scattered datasets do little to decrease farmers’ efforts.
Win External Support by Organizing Around Shared Outcomes

The CTO worked with other executives at Land O’Lakes to create and publicize an outcomes-oriented vision for the ecosystem. He also got input from leaders at other agtech companies. The shared vision would help elevate the scope of the ecosystem beyond individual goals, building a sense of collective ownership and alignment among otherwise independent entities. The process led to this vision statement: Farmers, retailers, food companies and technology providers unite to “create sustainable food, fiber and fuel supply chains that are powered by data-driven insights and digital solutions” (see Figure 2).

At the same time, sales and marketing at Land O’Lakes identified benefits that would attract farmers, agtech partners and food companies, developing campaigns around those perks. Campaigns start with the vision, and emphasize the unique benefits of creating and exchanging products within the ecosystem. For instance, niche technology startups can leverage Land O’Lakes’ long-standing customer relationships to grow quickly and efficiently without giving up control of their intellectual property.

Finally, Land O’Lakes designed partnership agreements to reinforce joint accountability for shared strategic outcomes, instead of service levels or goods sold. The company:

- Guarantees farmers a percentage increase on yield if they join the ecosystem, a radical shift from promising product quality and performance.
- Offers industry expertise and customer insight to help Microsoft and agtech partners fuel new product development.

Give Training and Tools to Participants So They Can Create Solutions Together

The Land O’Lakes ecosystem only works if the farmers, agricultural retailers and agtech companies can create solutions in partnership with one another in an easy and secure fashion. Farmers and retailers customize applications, analytics dashboards and smart farming equipment from multiple providers to:

- Predict how weather and soil conditions will affect their yield.
- Automate crop planting and fertilization tasks.
- Share field data with one another to improve yield insights.

Agtech providers build applications and smart farming equipment for farmers and retailers to use and customize, independently or with developers from other companies.

Land O’Lakes leaders put in place a temporary cross-functional team — drawing on IT, digital product development and agronomy expertise — to help farmers craft their own digital business strategy and learn the skills necessary to execute on it, such as selecting and connecting digital solutions from ecosystem partners. The team also teaches Land O’Lakes’ sales staff how to use ecosystem platforms and tools, effectively transforming the sales and customer support functions into technology managers.

Other companies in the ecosystem may have the skills needed to create solutions together but must make sure the resulting products are compatible and secure. For these partners, Land O’Lakes built open development platforms, or “digital foundations” (see Figure 3). An agtech platform team, reporting to Land O’Lakes’ CTO, creates industry-specific modules, such as APIs to access farm data and design guidelines for a consistent user experience in the ecosystem. A team from Microsoft provides more standard application development tools, such as code editors, debugging devices and reusable code snippets.

Tailored Value Propositions

- **Digital Solution Providers**
  - AgTech Companies: Grow and secure revenue flows by leveraging innovative collaborators and new customers insights.
  - Access to New Customers: Tap into long-standing customer relationships built by industry-leading companies to grow, quickly and efficiently.
  - Deliver Impact At Scale: Customer Insights

- **Innovative Collaborators**

- **Clients**
  - Ag-Retailers and Food Companies: Lower costs and improve predictability of supply by helping your growers digitize.
  - Farmers: Increase your profitability while improving soil health through data-driven insights and smart farming tools.
  - Prepare For New Markets: Access help to prepare your farm to benefit in current and future ecosystem markets like carbon, water credits, and enhanced soil health.
  - Data-Backed Insights: Test-drive potential changes to farming practices via modeling tools before making the switch on-farm
  - Enhanced Soil Health
  - Protect Your Right To Farm

- **Figure 2. Land O’Lakes’ Digital Ecosystem Narrative**

<table>
<thead>
<tr>
<th>AgTech Companies: Grow and secure revenue flows by leveraging innovative collaborators and new customers insights.</th>
<th>Access to New Customers: Tap into long-standing customer relationships built by industry-leading companies to grow, quickly and efficiently.</th>
<th>Deliver Impact At Scale: Customer Insights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tap into long-standing customer relationships built by industry-leading companies to grow, quickly and efficiently.</td>
<td>Access to New Customers: Tap into long-standing customer relationships built by industry-leading companies to grow, quickly and efficiently.</td>
<td>Deliver Impact At Scale: Customer Insights</td>
</tr>
</tbody>
</table>

1. A platform is a digital product that enables the creation and/or exchange of other products or services. Platforms range from high-level platforms that enable a platform business model to low-level platforms that provide a collection of business and/or technology capabilities that other products or services consume to deliver their own business capabilities.

2. Thriving in an Increasingly Digital Ecosystem, MIT Sloan Management Review

3. Digital Ecosystems 2.0: Climbing to the Next Level, McKinsey Quarterly. Seven of the 10 largest companies in the world by market capitalization are technology companies that generate much of their revenue from platform-based digital ecosystems. In addition to the technology industry, McKinsey experts estimate at least a dozen sectors (including B2B services, mobility, travel and hospitality, health, and housing) are reinventing themselves as vast ecosystems. As this trend accelerates, the revenue generated by exchanges within ecosystems could exceed $10 trillion by 2025 — about 30% of world revenue pools that year.

4. How Business Ecosystems Rise (and Often Fall), MIT Sloan Management Review. The BCG Henderson Institute analyzed the growth trajectories of 53 platform-based digital ecosystems, across industries and geographies, and found 85% of these ecosystems “failed” (i.e., dissolved, shrank to an insignificant market share or were acquired for an amount substantially below initial funding). The most common reason ecosystems failed was an inability to acquire initial market share.

5. Agricultural retailers are companies that provide seeds, fertilizers, farm equipment, digital farming tools and consultative advice to farmers. Retailers range from small, family-held businesses to large companies and farmer-owned cooperatives.
Dynamic Risk Governance Starts With Shared Data

by Malcolm Murray and Laura Reul

Organizations are still fighting 21st-century threats with 20th-century tools, such as spreadsheets and emails. But functional leaders must move as rapidly as the risks largely driven by technology and data (see Figure 1). To do that, executives building new ways to protect against exposure should move to a more dynamic governance model that requires a different way of working. Wielding digital tools against these digital dangers strengthens high-quality risk management behaviors by 17%.1,2

The predominant model, known as the three lines (3L), divides up risk management responsibilities based on the typical role of a function rather than the actual activities that need to happen and who is best placed to perform them.3 For more than a decade, organizations have tried to tweak the 3L with aligned assurance — all risk and assurance functions coordinating their work and avoiding duplication while making sure nothing falls through the cracks. Yet organizations still struggle to reap the benefits.

Our alternative framework, which we call dynamic risk governance (DRG), breaks down functional boundaries, assigning authority by risk and activity rather than by role. This model is statistically proven to drive high-quality risk behaviors, such as leadership striking the right balance of opportunities and business managers having the knowledge to make more risk-informed decisions.4

To achieve timely, collaborative and efficient risk management, you’ll need to build digital solutions at the same time you construct a full DRG framework. It’s a virtuous cycle: Sharing is required to go digital; digital is necessary for faster action; and DRG, in turn, begets closer working relationships for handling risks as swiftly as they occur — enabling yet more cooperation.

Companies told us about three methods they’ve taken to modernize and speed up their risk management processes. Each one involves collaboration between several functions and the sophisticated use of data and automation:

- Using centralized data to create risk analytics for distribution throughout functions
- Bringing in data from multiple functions and external sources to create shared, constantly updated dashboards
- Automating manual processes to gain time for collaboration by removing unnecessary tasks and asks

Jump on the Chance to Make Risk Governance Digital

The window is open right now for sewing software and analytics into the fabric of risk governance. First, this kind of spending is high on some powerful agendas: 83% of CEOs plan to increase investments in digital capabilities over the next year, and 71% of boards name digital technology initiatives as a top priority coming out of the pandemic.5,6 Second, the time is ripe for a major overhaul of the way enterprises defend against risk, and a digital-first mindset is central to the change that’s needed.

For more than a decade, functional leaders have made substantial progress in the last few years when it comes to assessing risk in a more systematic and data-driven way. However, separate functions tend to develop their own analytics, relying on their own datasets. Perhaps they are protecting their own turf or perhaps they simply aren’t aware of the benefits of exchanging data assets and skills.

To solve for this challenge, the internal audit team at The Kraft Heinz Company created a risk monitoring center of excellence. The goal: Encourage the business to use a tool that tracks more than 100 key risk indicators (KRIs) across four business processes (order-to-cash, procure-to-pay, accounting-to-reporting, and manufacturing-to-inventory).

Timing was critical; the information had to be available when action was required. The tool conducts continuous analysis of data stored in a central ERP system and creates Tableau dashboards that illustrate risk drivers, red flags, control gaps or process inconsistencies. Perhaps they are protecting their own datasets. Perhaps they are developing their own analytics, relying on their own datasets. Perhaps they are protecting their own turf or perhaps they simply aren’t aware of the benefits of exchanging data assets and skills.

To launch this tool, the center of excellence served two purposes:
- Overall governance of the risk analytics process
- Guidance on the day-to-day operations of the continuous risk monitoring tool (see Figure 2)

Kraft Heinz Shared Continuous Risk Analytics From Centrally Stored Data

Figure 1. Top Five Risks Identified by Audit Leaders, 2017 to 2021

<table>
<thead>
<tr>
<th>Importance</th>
<th>Cybersecurity: Technological Vulnerabilities</th>
<th>Data Privacy</th>
<th>Data Privacy</th>
<th>Data Governance</th>
<th>IT Governance</th>
<th>Figure 2. Risk Monitoring Center of Excellence Pillars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cybersecurity: External Threats</td>
<td>Data Privacy</td>
<td>Cloud Computing</td>
<td>Cloud Computing</td>
<td>Third-Party Ecosystems</td>
<td>Data Governance</td>
<td></td>
</tr>
<tr>
<td>Data Privacy</td>
<td>Cyber Vulnerabilities</td>
<td>Cyber Vulnerabilities</td>
<td>Cyber Vulnerabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cybersecurity: Grow</td>
<td>Cybersecurity: Growing Attack Sophistication</td>
<td>Risk Culture and Decision Making</td>
<td>Talent Resilience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change Fatigue</td>
<td>Business Continuity and Disaster Recovery</td>
<td>Business Continuity and Disaster Recovery</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Source: Adapted From The Kraft Heinz Co.
On the operational side, the center familiarized the business with the tool. The team started by identifying important stakeholders in the business and inviting them to see and use the tool in action. “We are partnering with the business to ensure KRI monitoring is embedded within the first and second lines of defense,” said Fernando Garcia Bueno, VP and global head of internal audit. So, the training didn’t stop there. The center also developed risk analytics insights memos with recommendations that demonstrate the relevance and utility of the tool.

Fernando Garcia Bueno
Vice President, Internal Audit
The Kraft Heinz Company

Photo courtesy of Fernando Garcia Bueno

With support, business executives now track critical enterprise risks on their own. “The implementation of the risks analytics solution at Kraft Heinz is a very good example of bringing to life our ‘digital decisioning’ aspiration,” said Corrado Azzarita, the global CIO. “I firmly believe that data-driven decision making can become a reality in several business domains, improving both effectiveness and efficiency.”

**Royal Bank of Canada Pulled Risk Information from HR, Finance, IT and the News**

The internal audit team at Royal Bank of Canada (RBC) set off on a mission similar to the one at Kraft Heinz: Produce a continuous monitoring tool that provides the entire organization with up-to-date risk information for critical business processes. But RBC took a slightly more complicated tack. Instead of sending details amassed in one place out to the rest of the business, the bank’s internal audit team pulled together company and external datasets. To build this digital solution, internal audit collaborated with the business to define relevant information and metrics to measure KRIs and key performance indicators (see Table 1). They called their creation the Risk Assessment Planning Tool and Organizer, or RaptOR, Kanika Vij, the senior director of data science and automation, told us.

Because RBC’s internal audit team worked closely with management from the beginning, the business unit leaders felt comfortable granting access to internal audit for data that could support risk monitoring, according to Vincent Huang, the director of data science and automation.

Once permission was secured, the bank sent more than 38 automatic feeds from capital markets and commercial banking to the portion of the company’s data lake that serves only the internal audit team. Data continuously flows to the internal audit portion of the lake, meaning the monitoring is always up to date.

Next came dashboard development, which spanned six months. Internal auditors, data scientists/data engineers, DevOps, UX/UI designers, project managers and quality assurance developers combined statistical analyses on the back end and Tableau visualizations on the front end to highlight live risk information (see Figure 3). With access to this dashboard, functional leaders at RBC enjoy three benefits:

- The business’s overall risk awareness rose with visibility into KRI trend data, audit issue status and changes to the priority of certain risks.
- Risk and assurance leaders save time spent manually collecting and assessing information for the annual risk assessment.
- These same executives reallocate their time savings to higher value activities, such as analyzing root causes of elevated risks or adjusting audit plans in the moment.

**Table 1. Examples of RaptOR Data Sources**

<table>
<thead>
<tr>
<th>Internal Data Sources</th>
<th>External Data Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR department data related to personnel turnover and tenure</td>
<td>News articles featuring stories on risk and control breakdowns across global financial institutions</td>
</tr>
<tr>
<td>Finance department data related to the performance of the business units</td>
<td>Additional risk-focused media articles</td>
</tr>
<tr>
<td>Committee on new business initiatives and projects</td>
<td>IT ticketing data that tracks application changes and incidents</td>
</tr>
<tr>
<td>Database of loss events associated with operational processes</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted From RBC

**Figure 3. RaptOR Continuous Risk Monitoring Dashboard**

Source: Adapted From RBC

Next came dashboard development, which spanned six months. Internal auditors, data scientists/data engineers, DevOps, UX/UI designers, project managers and quality assurance developers combined statistical analyses on the back end and Tableau visualizations on the front end to highlight live risk information (see Figure 3). With access to this dashboard, functional leaders at RBC enjoy three benefits:

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**Figure 3. RaptOR Continuous Risk Monitoring Dashboard**

Source: Adapted From RBC
Standard Bank Group Automated Auditing to Save Time and Peer Into the Future

Another example of using a variety of data sources to save time with automation comes from Standard Bank Group, based in South Africa. In this case, the internal audit team named their platform after themselves: Gina (group internal audit).

Along with a complete view of the organization’s control environment, Gina can predict future risks based on internal and external data sources. According to Hema Chetty, the chief operating officer of internal audit, Gina performs daily automated tests for the processes scoped on the bank’s South African branch locations (see Figure 4). The charts in the automated audit below contrast the proportion of controls designed for a certain risk (anticipated risks) against the proportion of controls that are failing (actual risks).

Gina runs the tests and uses the results to address disparities between anticipated and actual risks, making swift adjustments to the audit plan. Before Gina arrived on the scene, the audit team would deploy 18 auditors to 40 branch locations — a process that took about three months.

The business also appreciates how Gina provides greater visibility into the control environment and the decreased number of interruptions poised by manual audits.

And this is only the beginning for automated assurance. As organizations adopt DRG, they will think strategically about automating controls to forge better partnerships. And that increase in collaboration will deliver better risk management.

¹ The Audit Plan Hot Spots series research identifies and analyzes the risk areas that audit departments anticipate focusing on in the subsequent year. This data was pulled from the following surveys: 2017 Gartner Audit Plan Hot Spots and Department Challenges Survey; 2018 Gartner Audit Key Risks and Initiatives Poll; 2019 Gartner Audit Key Risks and Priorities Survey; 2020 Gartner Audit Key Risks and Priorities Survey

² 2021 Gartner The Future of Risk Governance Survey; The 2020 Gartner Future of Risk Governance survey was conducted via an online survey between November and December 2020. The purpose of this survey was to understand the challenges shared across corporate functions in managing risks within the organization. In total, 300 business managers qualified and participated. The results of this study are representative of the respondent base and not necessarily business as a whole.

³ 2021 Gartner CEO and Senior Business Executive Survey; Gartner conducted this research from July through December 2020, with questions about the period 2020 through 2023. One-quarter of the sample was collected in July and August, three-quarters in October through December. In total, 465 actively employed CEOs and other senior executive business leaders participated.

⁴ 2021 Gartner View From the Board of Directors Survey; This study was conducted to understand how Board of Directors view digital business driven business model evolution in their enterprises. It also helps understand the expectations of BoDs from Executive Leaders and how BoDs translate their board focus to actual executive action and overall corporate performance. The primary research was conducted online during May-June among 215 respondents from U.S., Europe and APAC. Companies were screened to be midsize, large or global enterprises.


⁶ 2020 Gartner Dynamic Risk Governance Quantitative Statistical Model (R²=0.275); The 3L model — with the business as the first line, risk monitoring functions as the second and audit as the third — is one-size-fits-all, role-based and process-first. DRG, by contrast, is risk-tailored, activity-based and digital first. For more on DRG: see Dynamic Risk Governance Is the New Risk Mandate.

Figure 4. Gina Visualization of Anticipated Versus Actual Risks

<table>
<thead>
<tr>
<th>Anticipated Risks</th>
<th>48.48%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Crime</td>
<td>48.48%</td>
</tr>
<tr>
<td>Accounting and Financial</td>
<td>23.23%</td>
</tr>
<tr>
<td>Compliance</td>
<td>10.10%</td>
</tr>
<tr>
<td>Reputational</td>
<td>10.10%</td>
</tr>
<tr>
<td>Information</td>
<td>4.04%</td>
</tr>
<tr>
<td>Business Disruption</td>
<td>1.01%</td>
</tr>
<tr>
<td>Business</td>
<td>1.01%</td>
</tr>
<tr>
<td>Legal</td>
<td>1.01%</td>
</tr>
<tr>
<td>Capital and Liquidity</td>
<td>1.01%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actual Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
</tr>
<tr>
<td>Business Disruption</td>
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<tr>
<td>Information</td>
</tr>
<tr>
<td>Reputational</td>
</tr>
</tbody>
</table>

Source: Adapted From Standard Bank Group
How to Empower and Safeguard Tech Work Outside IT

by Peter Young, Raf Gelders and Jamie Heyes
with contributor Matthew Charlet

Your organization’s soaring digital ambitions will fall short without the help of business technologists.1 These non-IT staff who customize or build analytics and technology solutions make up between 28% and 55% of the typical workforce.2 While they have tremendous potential to help organizations improve current digital processes or create new ones, they require proper oversight to maintain security and prevent duplication of effort.

To empower business technologists and provide quality control, IT and other business leaders must work together. Executives should prioritize their risk management efforts in two areas:

• Developing digital judgment among fusion team leaders — people directing multidisciplinary groups of business technologists throughout the organization.3 Those with high levels of digital judgment are five times more likely to deliver on business outcomes without exposing the enterprise to risk than those with low levels of it, according to a survey of nearly 1,000 fusion team leaders (see Figure 1).4

• Encouraging collaborative digital business governance. This means enabling business technologists to own risk, participate in decision making, constructively challenge policies and work with other groups to share ideas and best practices.

Cultivating digital judgment and promoting shared responsibilities for governance reinforce one another, creating a virtuous cycle. Here is how you can get started.

Four Actions to Encourage Collaborative Governance and Digital Judgment

1. Clarify your organization’s digital ambitions. Communicate a common understanding around what “digital” means for the company and help business technologists connect their projects to that broader corporate strategy. For instance, does your organization primarily want to use digital technologies to improve existing processes or operating models or to create new ones? Or are you equally focused on both?

2. Encourage collaboration between governance functions and fusion teams. Create the expectation that business technologists should work alongside functions like legal, compliance, IT security and risk management to create guidance and scale new enterprise standards.

3. Provide easy access to internal subject matter experts (SMEs). The ability to leverage SME expertise gives technologists the ability to constructively challenge restrictive standards based on their unique circumstances.

4. Facilitate connections between fusion teams throughout the company. This could include building communities of practice or providing regular updates on initiatives. This gives others working on technology projects across the organization insight into pioneering practices of other teams and can even help to inform new governance standards based on those innovations.

5. Communicate a common understanding of digital ambition among all fusion teams. This gives technologists the authority and resources needed to drive the digital business strategic transformation.

6. Clarify your organization’s digital ambitions. Communicate a common understanding around what “digital” means for the company and help business technologists connect their projects to that broader corporate strategy. For instance, does your organization primarily want to use digital technologies to improve existing processes or operating models or to create new ones? Or are you equally focused on both?

Both firms embraced guardrails that provide risk assurance without stifling innovation and progress.

How a Rapid Approval Process Supported Better Governance and Faster Results at Great-West Life

After adopting a more inclusive form of governance, business-led digital hubs at Great-West Life launched insurance solutions within four months — three times faster than they used to.

To achieve this outcome, hub leaders received more autonomy over the approval process for their initiatives. They opted out of reviews deemed unnecessary for certain situations through a fast-track governance option. To minimize risk, governance SMEs assigned to each hub provided technical guidance to help each team make sound choices around the appropriate level of review.

In return for using the fast track, digital hub employees were expected to:

• Actively seek opportunities to improve existing policies.

• Constructively challenge restrictive processes to help guide standard setting.

• Document and scale new ways of working to accelerate enterprise learning.

Great-West Life encouraged business teams to challenge existing policies and processes.

A dedicated leader within each hub worked with relevant governance functions to shape policies for the rest of the organization. For example, one hub wanted to create a web app to assess coverage and generate quotes, but it realized customers would find the data input requirements too tedious for online applications. The team also knew any changes to customer data collection could expose the enterprise to risk.

Figure 1. Digital Judgment Attributes

Digital judgment is the set of beliefs, mindsets and behaviors that enables fusion team leaders to effectively balance team and enterprise outcomes.

Challenges Constructively

Updates governance and ways of working to advance digitization

Owns the Risks

Embraces security and risk management as part of the digital business team’s job, not just IT’s

Builds for Growth

Proactively helps other teams — current and future — drive digital business transformation

n = 994

Source: 2019 Gartner Digital Business Teams Survey
To remedy the problem, the hub worked with governance SMEs from security, underwriting, compliance and legal to create a new policy that balanced acceptable risk exposure with a better customer experience (see Figure 2).

**User-Friendly Tools and Risk Thresholds Empowered Business Teams to Make Decisions at Glenmede**

To keep up with the speed of digital operations, Glenmede made business teams the primary decision makers and doers for a much larger share of technology projects throughout the firm. To enable this change, IT at Glenmede:

- Lowered the technical barriers for non-IT staff to solve their own challenges
- Established clear guidance for the level of IT versus business oversight required for different projects

To accomplish the first step, IT leaders decided technology platforms had to be user-friendly, secure and able to integrate with a wide range of technology platforms had to be user-friendly, secure and able to integrate with a wide range of technology platforms. In addition, an advisory team of business secure and able to integrate with a wide range of technology platforms had to be user-friendly, secure and able to integrate with a wide range of technology platforms.

Glenmede’s default posture for technology projects starts each one in Tier 2, only shifting into Tiers 1 or 3 by exception as certain criteria are met (see Figure 3). By nudging more projects into Tiers 2 and 3, Glenmede also made a conscious decision to encourage the autonomy of business teams.

**Figure 3. Ownership Criteria for Technology Projects**

<table>
<thead>
<tr>
<th>Criteria to Shift Ownership to IT</th>
<th>Criteria to Shift Ownership Entirely to Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affects multiple business domains</td>
<td>Will only be used by small team</td>
</tr>
<tr>
<td>Focuses on foundational infrastructure</td>
<td>Limited impact on data and integration requirements</td>
</tr>
<tr>
<td>Involves deployment of platforms that support future business-led work</td>
<td>Project only needs IT support on network and security</td>
</tr>
<tr>
<td>Integration or automation complexity exceeds business teams’ comfort</td>
<td>System is not mission-critical or has no nonpublic information</td>
</tr>
</tbody>
</table>

As a result, Glenmede deployed digital projects faster and more sponsors reported high satisfaction. In addition, the process gave business leaders the opportunity to develop their own digital judgment by taking accountability and ownership for risks and outcomes.

---

**Figure 2. Role of Digital Hub in Shaping Enterprise Policies and Standards**

- **Strategies, Regulations**: Simplified data collection practices
- **Principles**: Risk appetite reset
- **Policies**: Policy refocused
- **Standards and Controls**: Redefined underwriting standard
- **Guidelines**: Updated guideline
- **Artifacts and Practices**: Source: Adapted From Great-West Life

1. Eighty-three percent of CEOs plan to increase their investment in digital capabilities this year. 2021 Gartner CEO and Senior Business Executive Survey; n = 465
2. 2020 Gartner Digital Friction Survey; 2021 Gartner Reimagining Technology Work Survey; n = 11,848
3. Fusion team leaders refer to individuals who lead fusion teams, which are multidisciplinary groups outside IT that blend technology and other types of domain expertise to work on everything from launching digital products to process automation and integrating digital marketing channels.
4. 2019 Gartner Digital Business Teams Survey; n = 994
5. As of 2020, Great-West Life is Canada Life after amalgamating with the London Life Assurance Company and The Canada Life Assurance Company.

This practice is based on a profile of Great-West Life that we published in June 2019.
New Ways to Organize for Agility and Speed

Whether or not your organization is undergoing a major restructuring at the enterprise level, functional leaders and managers must clear the path with work design that helps employees meet higher expectations for collaboration and speed. Next, take one more step: Consider the toll of 2020’s stressful crisis year and the exhausting slog through 2021.

Eighty-five percent of employees experienced higher burnout during the COVID-19 pandemic.1 And 41% have lower trust in their close colleagues.2 You can’t get teams to be more nimble and independent unless you offer processes — and personal support — through yet another round of change.

Companies based in Europe, North America and South America told us how they successfully used structure to bolster agility and cooperation at the team level. Their tactics:

- Equip teams to work with one another on their workloads.
- Show employees when to make their own decisions.
- Share accountability for performance across teams.

Don’t Let Org Design Impede Work

Frustration is rampant about processes that seem to prevent getting anything done. Two-thirds of employees report coming up with shortcuts so they can bypass glitches and layers of red tape. Adopters of these workarounds spend an average of 1.9 additional hours per day completing routine tasks.3 For a 10,000-person organization, that adds up to over three million wasted hours a year. Not surprisingly, those who resort to makeshift solutions for doing their jobs report a lower intent to stay compared to those with efficient workplace processes. And their work hacks are damaging. Institutional knowledge gets lost. Clients have an inconsistent experience. Safety can be compromised.

At many organizations, it takes a major shock, such as M&A or a senior-level management shuffle, to trigger a review of org design. The Business Development Bank of Canada (BDC) came up with a way to make structural reassessments familiar and unthreatening by involving team executives all the way through, helping them surface issues and working with employees of all levels on repairs and renovation.

BDC’s organizational effectiveness (OE) experts seize the opportunity posed by more general consultations with leaders who seek help overcoming a challenge or meeting a new aspiration. These executives take the initiative; no one is forcing them (see Figure 1). The effectiveness group starts by asking about a team’s level of trust, capacity to handle conflict, need to rework, dependence on other teams, duplication of effort and communication. If necessary, this groundwork may include employee interviews and examination of talent data such as attrition, compensation or performance metrics.

Leaders Clear the Path for Speed and Cooperation at the Team Level by Laura Cohn, Cian Ó Móráin and Piers Hudson with contributor Anurag Raj

Figure 1. BDC’s Diagnostic Process

Source: Adapted From Business Development Bank of Canada
These investigations help the effectiveness team root-cause (and show executives) the right problem to solve (see Table 1).

If a design intervention is warranted, the effectiveness group facilitates a workshop where employees create the new structure themselves. They start by mapping the existing workflow.

“This session is often a major point of realization,” said Jonathan Braunstein, the bank’s director for organizational development and culture. Participants “gain a better understanding of how their work fits into the broader picture,” he said, “and how others on their team rely on them.”

If the answer is “no” to all of the above, then staff can go ahead and act. The company also distinguishes between two types of failure:

- Failure an organization can absorb — where something has been tried in the search of improvement
- Failure that isn’t tolerable — where there is repeated error in a regular established process

The company teaches these principles to new hires during onboarding. The more employees use the framework, the more comfortable they feel reaching conclusions on their own. And whenever they do that correctly, they save time.

Since the launch of the framework in 2019, employee surveys also show improved decision-making quality, meeting effectiveness and work precision (see Figure 2).

### Table 1. Evidence of Org Development Versus Org Design Root Causes

<table>
<thead>
<tr>
<th>Evidence of an Org Development Problem (e.g., Leadership, Culture, Skills)</th>
<th>Evidence of an Org Design Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of trust within teams</td>
<td>Lack of trust between teams</td>
</tr>
<tr>
<td>Dissatisfaction with personal development opportunities</td>
<td>Confusion about other teams’ roles and responsibilities</td>
</tr>
<tr>
<td>Dissatisfaction with leader decisions</td>
<td>Confusion about contributors’ and leaders’ roles and responsibilities</td>
</tr>
<tr>
<td>Critical skills gap</td>
<td>Significant time spent waiting for work or reworking based on someone else’s intervention</td>
</tr>
<tr>
<td>Unbalanced workloads across teams</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Adapted From BDC

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**Figure 2. Mercado Libre’s Improvements From Decision-Making Framework**

<table>
<thead>
<tr>
<th>Key Survey Questions</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision Making Framework Kickoff</td>
<td>67%</td>
<td>64%</td>
<td>73%</td>
</tr>
<tr>
<td>Quality Decision Making ▲12%</td>
<td>85%</td>
<td>74%</td>
<td>73%</td>
</tr>
<tr>
<td>Effective Meetings ▲8%</td>
<td>82%</td>
<td>74%</td>
<td>74%</td>
</tr>
<tr>
<td>Simple, We Avoid Rework ▲11%</td>
<td>78%</td>
<td>69%</td>
<td>67%</td>
</tr>
</tbody>
</table>

**Source:** Adapted From Mercado Libre
So the corporation made structural changes to significantly cut leader responsibilities:

- Leaders participated in an exercise to minimize their own authority in which they assumed zero control, and, from there, they came up with the shortlist of critical issues they would lose sleep over if they didn’t have the final word.
- The organization set up intercompany groups of employees that together possessed cross-enterprise expertise and perspective; these matrixed committees specify changes needed over time to those shortlists.
- All other projects and processes were left to the discretion of teams.

A Cross-Functional Work Backlog and a Twist on OKRs Encourage Staff-Sharing Across Teams

Canadian financial services company The Co-operators Group recognized that frequent disruptions require quick resource shifts. However, leaders can be reluctant to move resources between teams. So the vice president for corporate solutions and IT business office, Jean-Francois Gingras, made two big changes to his shared services group:

- Establishing a cross-functional work backlog that is updated monthly by the leaders so opportunities for redeployment across teams become transparent
- Incorporating shared objectives and key results (OKRs) into leaders’ performance assessments—an unusual tactic because collective achievement is the whole point of these measurements (popularized by venture capitalist John Doerr), so they are typically kept out of individual reviews or compensation decisions

Ironically, the separation undermines leaders’ commitment to OKRs. To solve for this, Gingras worked with his HR partners to redefine calculation of performance bonuses. They switched to a combination of 50% results (OKRs) into leaders’ performance assessments (e.g., codifying “how to disagree”).

At any point during implementation, team leaders looking for support can consult with Hilti’s “cultural sherpas,” full-time HR staff who facilitate the workshops and are experts in team and cultural development.

The process helped. In an annual survey, Hilti’s “cultural sherpas,” full-time HR staff who facilitate the workshops and are experts in team and cultural development.

The process helped. In an annual survey, the percentage of employees who agreed their workload is manageable increased by 10%.

Help Teams With Their Workloads

Hilti, a Lichtenstein-based manufacturer, found although the challenges employees face vary over time, the organization needed a mechanism to help build resilience. In 2018, the company set out to help employees determine as a team how to cope in an environment in which workloads won’t slow down.

During the process, the company helped all teams determine how much of the workload comes from the individual, the team, the department and the outside world. Once the teams establish what forces individuals and teams can control, they determine how they can support one another.

The strategy helps employees cope with ongoing workplace challenges by hosting what it calls “team pit stops.” At these off-sites, teams examine their practices and relationships.

After the workshops, employees meet in groups of three for weekly 15-minute check-ins to assess their progress. At the same time, the larger team implements new practices from the workshop (e.g., codifying “how to disagree”).

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 2021-2022 strategic planning template for your function.

gartner.com/en/insights/strategic-planning

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.

1 2019 Modern Employee Experience HR Leader Survey. This survey was conducted in January 2020 and includes responses from 5,003 employees across 143 HR leaders.
2 2019 Modern Employee Experience HR Leader Survey. This survey was conducted in January 2021 and includes responses from 3,690 employees across more than 24 industries and five regions.
3 2020 Gartner Workforce Responsiveness Survey. This survey was conducted in January 2020 and includes responses from 5,003 employees across 20 industries and five regions.
4 2020 Gartner Workforce Resilience Employee Survey. This survey was conducted in January 2021 and includes responses from 3,690 employees across 143 HR leaders.
5 Eighty-three percent of employees have been operating at or above capacity in the past year, and those that were granted added autonomy were between 14% and 80% more likely to experience damage to workforce health, according to the 2021 Gartner Workforce Resilience Survey. Workforce health includes the physical and financial well-being of employees, their workplace relationships, and the overall environment at the organization.

Gartner Workforce Resilience Survey. Workforce health includes the physical and financial well-being of employees, their workplace relationships, and the overall environment at the organization.
HR and Compliance Must Join Hands to Build Day-to-Day Inclusion

by Dian Zhang, Lauren Romansky and Rachel Lawrence

The usual channels won’t suffice when it comes to helping all employees feel valued and comfortable on the job, especially for those from underrepresented groups. It’s true that diversity, equity and inclusion has the same DNA as most types of organizational culture led by HR or compliance. This new workplace mandate encompasses familiar elements such as integrity, collaboration, trust and safety. But calling a hotline might seem like an overreaction to being constantly interrupted. And so does meeting with HR over getting mistaken for another colleague of the same racial background.

To uncover such microaggressions, informal systems are required, and HR and compliance must be involved in setting up these new-to-world programs so information flows where it needs to in case of escalation. To succeed, both functions also must combat another kind of stereotyping: The common misperceptions they (and employees in general) hold about each other. For instance, compliance checks off boxes just to avoid liability, or HR is too intent on painting a rosy picture rather than dealing with real problems.

If your HR or compliance team missed the window when the #MeToo movement gained global traction a few years ago, now is the time to join hands. Demonstrate how your function can contribute to diversity, equity and inclusion: show an action plan for jointly creating or refining corporate processes that will drive the company closer to your shared objective. Doing so shows you genuinely care, you value the other function’s work and you’ve put thought into the partnership. Because these teams are small compared to the mass group of employees they are trying to influence, sharing staff, resources and expertise can lead to innovation that neither can achieve alone. And innovation is critical now.

Two organizations, a healthcare services provider in Australia and a life sciences company based in the U.S., used this strategy successfully. In these cases, the partnership starts with either HR or compliance reaching out to the other. Each offers tactics and inspiration you can borrow, even if your own corporate structure is different.

To moderate concerns and reduce risk, both functions must apply a process that can relieve intimidation. The person fueling the concern. Either can opt out at any time without negative repercussions.

Western Health’s Volunteer-Run Issues Resolution Program Started With an Idea Pitched by HR

Western Health, which operates hospitals and community-based services in the Melbourne, Australia area, got an early warning that some worrisome behavior problems flew under the radar. In 2016 — the year before Hollywood’s Harvey Weinstein scandal increased awareness of #MeToo — the auditor-general’s office in the state of Victoria called on the entire health sector to combat harassment problems.

About the same time, Western Health participated in a state government survey that led to sobering findings: 20% of employees said they perceived bullying or discrimination on the job, but only a small number of cases were registered with the hotline.

HR had an idea and contacted the employee relations and business partnerships team, where in-house employment experts manage formal complaint processes. HR proposed setting up a parallel system for handling reports with the help of trained peer volunteers. After seeing the data and a plan that works in tandem with the existing system, the in-house employee relations team immediately agreed to collaborate.

The resulting program, dubbed Employee Positive Workplace Issue Resolution (EMPOWIR), gave staff additional options. They can leave an anonymous note in a digital vault without requesting a response, or they can speak directly with one of the selected contact officers about potential further action (see Figure 1). This arrangement allows EMPOWIR to help to the level the involved individuals prefer.

If both parties grant permission, a resolution officer facilitates a conversation between the notifier and the person fueling the concern. Either can opt out at any time without negative repercussions.

Figure 1. Formal Reporting System Compared With EMPOWIR Experience

<table>
<thead>
<tr>
<th>Formal Complaint Process</th>
<th>EMPOWIR (informal, no-blame process)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial courage is required to report issues.</td>
<td>Positive reporting options relieve intimidation.</td>
</tr>
<tr>
<td>Significant time and energy are required to address issues.</td>
<td>Resilience of those reaching out to HR or compliance</td>
</tr>
<tr>
<td>The process can damage relationships.</td>
<td>Opt-out resolution conversations reduce risk of damaging relationships.</td>
</tr>
</tbody>
</table>

The process can damage relationships. Best for many small to moderate issues

Source: Adapted From Western Health

Gartner Business Quarterly
Both functions played a critical role in developing EMPower. While HR hired an external law firm to work on specifics, the in-house team worked with HR on volunteer screening criteria to make sure only those who can be trusted with sensitive information get chosen. The employee relations team also sat through all the training, helping volunteers understand how their work fits within the law, get familiar with approved processes and scripts, and rehearse responding to tricky scenarios. If a volunteer gets falsely accused of being unfair, they will have evidence of their innocence thanks to the solid processes in place.

Another important lesson for HR from the employee relations team: What the volunteer’s job is not. “We can’t afford to be judge and jury, even if it can feel tempting,” said Anne Wright, acting workplace strategy and well-being director. If, however, one person is named in four unresolved issues or when a case turns out to be much more severe than those who reported it thought it was, HR reaches out to the person’s manager or redirects the concern to employee relations. In one such instance, two senior leaders were escorted out of the office over a serious breach confirmed by a formal investigation.

Knowing that no serious issues will be missed offers peace of mind to employee relations. For HR, the patterns and trends from the informal system inform training content for managers and new hires. The use of volunteers also helps HR engage with good corporate citizens in an informal setting. The use of volunteers also helps HR engage with good corporate citizens in an informal setting.

Between 2016 and 2019, perceived instances of discrimination reported in employee surveys declined 25% and bullying by 30%. Staff members also feel more comfortable opening up about sensitive topics after seeing anonymized success stories, positive user feedback for volunteers, and the aggregation of issue quantity and type that HR publishes quarterly. To meet increased demand, the company is looking to double the number of volunteers to 60 by the end of 2021, Wright said.

At Novo Nordisk Inc., Compliance Reached Out to an HR-Based Team to Collaborate on Psychological Safety

At Novo Nordisk Inc. (based in Plainsboro, New Jersey, U.S.), Jill Fallows Macaluso, corporate vice president and chief ethics, compliance and privacy officer, made a personal commitment in June 2020. As a member of the company’s executive leadership, she decided she would work to improve employees’ feelings of psychological safety (see Figure 2). To her, this concept was a natural extension of ethics: Both emphasize open communications and count on the general workforce to take action. Psychological safety takes one more step to encourage risk taking and innovation and help workers learn from their mistakes.

At the company’s annual business and ethics week, Macaluso introduced Speak-Up 2.0 — encouraging employees to include suggestions, questions and concerns, in addition to ethics issues, in their conversations with managers. Her team created a training module to explain how investigations work and is planning to promote the idea of viewing mistakes as learning opportunities, so employees can self-report without fear of consequences. “We don't want people to feel they have to lie or cheat to cover up a mistake [they made],” Macaluso said.

In addition to leveraging tools already available to ethics and compliance, she regularly brainstorms and exchanges ideas about psychological safety internally with her executive team colleagues and externally with compliance officers from other companies.

Six months after Macaluso started her efforts, Novo Nordisk Inc. also created a center of excellence for diversity, equity, inclusion and belonging that reported to the head of HR. When Macaluso showed her team’s work to the new group’s director, they both recognized collaborating on psychological safety would make the most impact companywide.

The two teams are building out a series of companywide educational events that will feature guest speakers and employee stories. Also in the works: a toolkit including tip sheets and conversation guides that tell managers what psychological safety means, why it matters and what behaviors to model (being vulnerable, sharing personal stories, giving space to quiet voices and learning from mistakes.) That way, “people can feel safe to have courageous conversations every day with their team, rather than wait for a certain event,” Macaluso told us.

The collaboration brings benefits for both functions. What ethics and compliance had already performed got the diversity, equity, inclusion and belonging center off to a fast start when it comes to psychological safety. The updates of compliance’s existing tools let the center of excellence allocate time and resources to other priorities.

With HR onboard, it’s easier for ethics and compliance to clarify that psychological safety is an inherent responsibility for people managers, not an extra compliance expectation. Leaning on the HR center’s tenured employees, as well as the HR business partners and employee relations team, helps Macaluso’s function make the psychological safety events feel relevant to all employees.

“It’s like we’ve been planting a seed and continuously watering it,” Macaluso told us. “This isn’t a light switch.”

Source: Gartner

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* Increases desire to ask questions, seek feedback, discuss mistakes, experiment, fail in experiments, offer opposing perspectives, raise concerns and propose novel and unorthodox ideas.

Macaluso’s efforts were inspired by an Australian study in 2017 which found that employees who felt psychologically safe were 70% more likely to let their managers know about issues. In December 2020, Macaluso received a document outlining a list of psychological safety measures.

The report was divided into four sections. The first section focused on the definition and benefits of psychological safety, the second described the behaviors that encourage or discourage psychological safety, the third outlined the primary psychological safety interventions and the final section outlined the psychological safety outcomes.

Willingness to Speak Up and Share Reports of Failure

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Disengaged In-House Lawyers Can’t be Fast, Creative Business Partners

by James Crocker

If organizations are going to survive, take advantage of new opportunities and ultimately thrive through disruption, they’ll need in-house lawyers to play at the top of their game. But at this important juncture, interviews with general counsel and other legal leaders at over 60 organizations reveal a common theme: Lawyers have reached their limits. They’re less willing to raise their hands for new projects. In some cases, their work quality is slipping, relationships are fraying, and they may be looking for the door.

During 18 months of pandemic, dramatically increased calls for racial justice and economic and political volatility, legal departments have become the primary support function in emerging risk areas. More is heading their way; six in 10 CEOs expect a boom within the next two years and are moving now to reshape business models, including through M&A.

General Counsel Recognize the Price of Productivity

So far, lawyers have stayed productive. Nearly half (47%) of legal and compliance professionals report they’ve maintained productivity since January 2020. An incredible 30% say productivity has increased while only 23% believe it’s decreased. This is remarkable given the circumstances under which they are working. Unfortunately this productivity has come at a cost, and lawyers are low on reserves. They are personally and professionally stressful conditions covering new complex issues under the same circumstances under which they are working.

General counsel are responding to their lawyers’ burnout in two ways. They try to relieve those whose workload has become unmanageable by allowing them to move some of it to outside counsel, alternative legal service providers or colleagues within the department. Leaders are also trying to increase team connections and camaraderie by instituting (virtual) open-door policies and increasing department social events.

They May Solve the Wrong Problem

While in some circumstances these strategies may be appropriate, all too often they fail to diagnose the real problem. As a result, many general counsel miss the best solutions. Some general counsel have told us they see a deeper problem and a wider realm of causes. This problem is disengagement, and while it can be caused by high workload with no tangible progress, it can have many other roots as well. Engaged employees believe they can successfully deal with the demands of their job, are more likely to show high levels of discretionary effort and are more likely to stay with their organization. In short, they love their job and would say their job is what they would do if they didn’t need income. When lawyers are highly engaged, they have a greater reserve to draw on during tough times to help prevent burnout from happening in the first place.

Based on our interviews, general counsel seem to view engagement as a result of compensation and promotion. In a department with constrained resources and a flat hierarchy, these “levers” can seem like nonstarters. However, this is too narrow a view (see Figure 1).

Our Global Labor Market Survey tracks characteristics of work that employees consider when evaluating a new organization. The responses offer insight into what will help keep employees engaged at work as well. Although compensation is the largest single driver for choosing a job, it doesn’t even make it into the top five for 36% of lawyers.

In fact, most of the things lawyers care about are substantially under the control of the general counsel. This becomes clear when we use dark blue bars for the components that are largely outside the general counsel’s authority. The general counsel has the power to create a legal department where lawyers feel respected, their accomplishments are recognized, their work environment is collegial, their job aligns to their interests, they have opportunities for development, promotions are based on merit, and they have the latitude do their work in the way that seems best to them. That sounds like an engaging place to work.
While general counsel have the best of intentions, building a human-centric department like this doesn’t happen on its own. If a general counsel is to have any chance of making this vision a reality, they need to prioritize engagement on par with, or even above, other values like cost-efficiency and speed in their strategic decision making. Of course, that’s not easy. While it is straightforward to make a list of things that might engage lawyers, it is harder to identify the highest impact drivers to prioritize given the limited time, attention and resources general counsel have to devote to any type of strategic decision making. The First Step: Getting to Know You

To make progress on this front, legal leaders must get to know their people — at scale. They should rely on managers in their department. While employees may be reluctant to share feelings of disengagement with managers, the general counsel should encourage managers to have open and honest discussions with their direct reports about the obstacles to progress in the department without directly asking about engagement. If their commitment levels are flagging, it’s time to dig deeper.

At this point, the general counsel should also ask employees about their aspirations, not just about their problems. They should survey lawyers to ask why they became lawyers and what they want out of their career. Legal leaders can use this information to identify patterns: Is there a group of lawyers primarily interested in advancing the social good? To make progress on this front, legal leaders must get to know their people — at scale. They should rely on managers in their department. While employees may be reluctant to share feelings of disengagement with managers, the general counsel should encourage managers to have open and honest discussions with their direct reports about the obstacles to progress in the department without directly asking about engagement. If their commitment levels are flagging, it’s time to dig deeper.

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Make Engagement a Priority

Leading general counsel are experimenting based on the most important engagement drivers within their departments. That sometimes means sacrificing short-term goals, even efficiency, for the long-term health of their departments. Several general counsel told us they are using or developing rotational programs within their departments and between their department and other units within the business. For instance, TE Connectivity enrolls high-potential employees in its leadership network program to help them make the connections necessary to become effective business enablers. Participants lead initiatives of strategic importance to the business (rather than give legal advice) so they learn by experience how projects succeed. Rotational programs are great development opportunities for lawyers and show them that their department prioritizes their career. On the other hand, this means some legal work is completed less efficiently as it is handed off to a colleague who must get up to speed in a new area. The trade-off is worth it for general counsel who want to develop a flexible and adaptive department for the future.

2 2021 Gartner CEO Survey, Gartner conducted this research from July 2020 through December 2020, with questions about the period 2020 to 2023. One-quarter of the sample was collected in July and August, and three-quarters from October through December. In total, 465 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 390 online surveys and 75 telephone interviews. By role, the sample mix was: 287 CEOs, 115 CFOs, 29 COOs or other C-level, 34 chairpersons, presidents and board directors. By geographic region, the sample mix was: 183 North America, 109 Europe, 97 China, Japan, Australia and other APAC, 56 Brazil, Mexico and other Latin America, 13 Middle East, 7 South Africa. By enterprise revenue, the sample mix was: 46 $50M to <$250M, 122 $250M to <$1B, 226 $1B to <$10B, 71 $10B or more.

2 2021 Gartner Digital Worker Experience Survey. n = 142 legal and compliance professionals. The 2021 Gartner Digital Worker Experience Survey was conducted online during November and December 2020 among 10,080 respondents from the U.S. Europe and APAC. Participants were screened for full-time employment, in organizations with 100 or more employees and required to use digital technology for work purposes. Ages range from 18 through 74 years old, with quotas and weighting applied for age, gender, region and income, so that results are representative of working country populations. Digital technology includes any combination of technological devices (i.e. laptops, smartphones, tablets, etc.), applications and web services that people use for communication, information and/or productivity.

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. Download our guide to learn how you can accelerate business performance by focusing on the three key pillars of strategic cost management:

Define clear measures of success

Adopt a consistent framework

Leverage cross-functional collaboration
Working Across Functions to Design Digital Customer Experiences That Boost Loyalty

by Sharon Cantor Ceurvorst and Kristina LaRocca-Cerrone

Despite accelerated investment in the past year, digital experiences only allow buyers to follow through on decisions they’ve already made, instead of considering new possibilities that could lead to buying more or different products or boosting brand loyalty. Just 14% out of more than 3,000 B2B and B2C customers report actually doing something different after having a digital interaction with a company.¹

Digital differentiation will not come from a slick, intuitive user interface. What’s needed instead are customer-facing digital experiences that shift behaviors and beliefs. To make that happen, companies need digital orchestrators — executives who innovate throughout the business by identifying new insights and influencing resource allocation (see Figure 1).

Successful digital orchestrators coordinate customer-facing experiences and connect a range of organizational resources throughout different functions.

A course-changing digital experience leads a customer to shift their perspective or approach and begin taking confident steps toward their new goal.

Orchestrators create digital experiences for customers, such as product recommendation tools, that cause them to pause, reflect and, ultimately, make a better decision to meet their needs. These course-changing digital experiences matter at least as much as the value of the product you sell, dramatically increasing brand preference and advocacy for a company (see Figure 2).²

Figure 1. Executive Leaders’ Vision for the Digital Orchestrator Role

Source: Gartner

Figure 2. Impact of Customers’ Course Changes on Brand Preference and Behavioral Advocacy After a Recent Digital Experience

Source: 2020 Gartner Digital Experience Customer Survey

Note: Multiple regression models with controls for respondent age, gender, country, brand industry/category, experience with brand, purchase cost, urgency of purchase, number of recent digital experiences, availability of an in-person alternative, preference for routine. Bars represent proportion of variance explained and do not total to 100% due to additional variance attributed to control variables.

n = 3,013 customers

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Digital orchestrators may emerge from one of several different functions, such as marketing, customer experience, product or IT. They persuade leaders from throughout the organization to work together to investigate how new digital experiences can solve critical customer problems. And, wherever they come from, they gain the credibility necessary to play this role by using their traditional spheres of influence beyond the boundaries of their function.

For example, many chief marketing officers (CMOs) already act as the “voice of the customer” within the C-suite, which earns them a seat at the table for strategic decisions about brand management and innovation.

Lessons from progressive CMOs chart a path for using their influence in new ways to lead digital experience innovations that shift customer behavior and beliefs. Digital orchestrators do this by:

- Finding opportunities for course change
- Pinpointing a narrow customer need
- Prioritizing company actions to meet that need

Three financial institutions illustrate exactly how to do that:

- Vanguard, an asset and wealth management company based in Valley Forge, Pennsylvania, U.S.
- TD, a retail and commercial bank based in Toronto, Canada
- Export Development Canada (EDC), a publicly funded trade agency based in Ottawa, Canada

**Vanguard’s Customer Behavior Analysis Leads to Course Changes**

Michael Roberts, the retail CMO at Vanguard, assembled a cross-functional team of marketers, data analysts and developers to gain better insight into customer behavior. The team led a study that revealed how its customers really make their decisions. They alternate between automatic tasks, such as checking an account balance, and reflective tasks, such as identifying financial concerns. When they stop to think, buyers make considered choices that could launch them onto a new path (see Figure 3).

As a result, Roberts’ team now focuses on moments where customers are naturally inclined to self-meditate. That’s when Vanguard offers guidance and encouragement that could change what they do next. For example, his team designed a personal advisor service quiz that helps users identify their needs and commit to next steps. Those who completed the quiz were 24% more likely to begin working with a financial advisor.

**TD Pressure-Tests Customer Needs and Solutions to Innovate**

To push for more distinctive solutions to real customer problems, TD’s digital orchestrator, Ravi Acharya, the head of enterprise innovation, implemented a cross-functional method to pressure-test digital initiatives.

First, TD’s innovation team uses interviews and observation to explore general customer needs, such as “budgeting,” before honing in on a more specific one, like “not wasting money.” Next, they convene a diverse group of internal stakeholders — including marketing, sales, risk, and product — to vet the customer needs and potential solutions.

During the discussion, Acharya listens for signals to validate the potential for different digital solutions and prioritize next steps.

The best indicators of innovation tend to be counterintuitive:

- **Negative indicator** — Rapid agreement means an idea may not be innovative enough. When the team sees early consensus signals, they reevaluate the identified customer need to push it in a more disruptive direction.
- **Positive indicator** — Stakeholder pushback means an idea may be truly disruptive but only if the underlying rationale is sound. When the team encounters pushback, they move forward cautiously and collect additional evidence to evaluate the viability of the idea.

This close examination of customer needs allows TD to channel resources to digital experiences that are most likely to differentiate the brand and change behavior. For example, the innovation team built an app feature that helps customers “not waste money” by categorizing spending into “wants,” such as restaurants and shopping, and “needs,” such as rent and electricity. When customers are spending more than average in a given month, the gauge on the app turns red, prompting them to reflect. TD customers value how easy the app, which has been downloaded more than 2.5 million times, makes it for them to change course and make better spending decisions (see Figure 4).

**Figure 3. Vanguard’s Nonlinear Customer Journey Map**

Vanguard captured the natural complexity of the customer journey using a nonlinear journey map.

![Vanguard’s Customer Journey Map](image)

Source: Adapted From The Vanguard Group

Vanguard discovered that only a subset of tasks — reflective ones — can lead customers onto a new path.

**Figure 4. TD’s Mobile App Spending Insights Feature**

High-level categories of “wants” and “needs” prompt customers to engage in productive self-reflection about where waste can occur.

Color gauges easily depict when the need to avoid wasting money is not being met, inviting customers to adjust course.

Source: Adapted From TD Bank Group
**EDC Uses Two Criteria to Select Course-Changing Digital Experiences**

When EDC undertook a comprehensive digital transformation, Marc-André Roy, who was then the vice president of marketing, assumed a digital orchestration role. Roy needed to prioritize among many potential strategic investments and then coordinate actions across functions, so he convened monthly forums with business unit leaders. The process started with customer needs. To figure out which one to address, EDC’s marketing team evaluated the needs by their business value and digital-specific potential.

First, Roy identified the needs through an analysis of customer behavior and third-party research. That revealed the following insight: Small exporters could benefit from one-to-one coaching and logistics advice, among other support services.

Next, the marketing team created an opportunity matrix to find the needs that are profitable for the small exporter segment. EDC’s client base increased from 7,150 in 2016 to 24,305 in 2020.

The team found small exporters most needed digital tools for gathering market intelligence and assessing their readiness to export (see Figure 5). As a result, Roy decided to create a knowledge hub containing these digital tools.

Finally, the marketing team outlined the cross-functional actions necessary to deliver on their chosen idea. The team members defined how they want customers to think and feel after engaging with the knowledge hub; the customer-facing functionalities necessary to deliver that experience and the internal changes necessary to make it happen. For example, they wanted customers to feel knowledgeable about foreign market conditions.

To create that feeling, EDC designed a digital feature that helps customers find reliable foreign partners. That service, in turn, requires back-end integration of multiple enterprise data sources. EDC’s knowledge hub provides differentiated value because it encourages customer self-reflection and shares relevant resources to help them take the next step to a new goal (see Figure 6). The platform also provides digital-specific value by bringing together multiple data sources to make learning more efficient.

**Figure 6. Sample Output From EDC’s Knowledge Hub**

### Where are you in the journey?

Whether you’re exporting products, services or experiences, discover the next step for your business. Click the timeline below to locate where you are now, and see what you might want to do next.

**Source:** Adapted From EDC

Through this effort, EDC achieved rapid digital transformation and market penetration of the small exporter segment. EDC’s client base increased from 7,150 in 2016 to 24,305 in 2020. Following this success, the marketing leader of the initiative took on an expanded role with oversight of digital strategy.

The rapid digital acceleration we have witnessed in the past year will not end with the COVID-19 pandemic. Customers are using digital channels more and more to inform their decisions. The executives who make these digital experiences impactful and lead across functional boundaries will claim an expanded role as drivers of growth in the digital business era.

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1. 2020 Gartner Digital Experience Customer Survey. This survey was conducted online in December 2020 and includes data from 3,013 B2B and B2C customers from the U.S., Canada, the UK, Australia, New Zealand, Hong Kong, Singapore, the Philippines and India.
2. Course change is measured as the customer’s agreement that, after a recent digital experience, they changed their perspective about how to accomplish their goals, decided to do something different, took action to make positive changes, felt in control of their purchase decision and felt confident they were making the right choice.
3. Brand preference is an index comprising brand favorability, willingness to pay a premium and share of in-category purchases. Advocacy is measured as the customer’s reported frequency of sharing positive feedback and connecting others to the brand.
4. Businesses with fewer than 100 employees that sell products outside of Canada.

**Disclaimer:** Results of this study do not represent global findings or the market as a whole but reflect sentiment of the respondents and companies surveyed.
To make the most of their collective intelligence, people must learn to trust the power of algorithms and understand the limitations. If your organization hasn’t yet considered human-machine relations, you need to get started right away.

It’s time to head to the whiteboard to sketch out how to integrate AI into the workforce.
Why Humans Have a Hard Time Using AI

Sticking Points for Stakeholders

Barriers to Online Implementation
Percentage of Respondents

- Security or Privacy Concerns: 11%
- Complexity of AI Solution(s) Integration with Existing Infrastructure: 11%
- Data Volume and/or Complexity: 8%
- Potential Risks or Liabilities: 7%
- Data Scope or Quality Problems: 6%
- Lack of Understanding AI Benefits and Uses: 6%
- Lack of Technology Knowledge: 5%
- Data Accessibility Challenges: 6%
- Little Improvement Over Existing Technologies: 6%
- Lack of Skills of Staff: 7%
- Technology is Too Difficult to Use or Deploy: 5%
- Governance Issues or Concerns: 5%
- Lack of Capabilities to Leverage AI Techniques: 6%
- Difficulty Finding Use Cases: 5%
- Unable/Hard to Measure the Value: 3%

Sum of Top Three: 30%
First Choice: 11%

Source: Gartner

Barriers to Online Implementation

- How can I trust our AI decisions? What if AI makes a mistake?
- How do I describe AI to customers?
- Is this AI fair? Does it prevent bias? Is it ethical? How do we protect privacy? How do we avoid legal and regulatory issues?

Executives + Directors + Technologists + Business Owners

How do I describe AI to customers?

Customer Support + Sales + Marketing + Communications

Auditors + Legal + Compliance + HR + Regulators + Activists

Is this AI fair? Does it prevent bias? Is it ethical? How do we protect privacy? How do we avoid legal and regulatory issues?

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Involve people outside of IT in AI design and training.

- Data Science
- AI COE
- Business Units
- Vendors
- Research
- Government

A potential guest list — who should take part beyond IT/data experts?

- Risk
- Legal
- HR
- Finance
- Sales
- Customer service
- Marketing and communications
- R&D
- Strategy

Spend most time listening.

Ask open questions.

Ask "why" often.

Observe interactions with AI products.

 Humans Can Be looped into any stage of the Training and Learning Development Process

- Preproduction
- Production (Runtime)

- Data Science
- AI COE
- Vendors/
  Marketplace
- Research
- Generative
  Platform/AI

- Customers
- Operations
  Staff
- Business Units
- Domain
  Experts
- Customers
- Business Units
- Partners
- Domain
  Experts
- Contractors
- Government
- Other AI
  Systems

Pros

- Demystify AI and reduce fears
- Tackle issues of bias, discrimination and fairness

Cons

- More vulnerable to IP theft, data leaks or sabotage

Breaking Down the Black Box

Establish an AI Lab or AI Center of Excellence

Internal chat forum?

Interviews with human AI users?

Source: Gartner

Source: Gartner

We need to think about transparency ...

Source: Gartner

\* The norm is not for algorithms to be trained while AI system is “live” although this represents an expected trend.

We need to think about transparency ...

Pros

- Demystify AI and reduce fears
- Tackle issues of bias, discrimination and fairness

Cons

- More vulnerable to IP theft, data leaks or sabotage

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How do we decide whether to pursue a project?

- Weigh findings against enterprise risk tolerance.
- Could we lose customers or efficiencies if we don’t forge ahead?

“Of our own values and desires influence our choices, from the data we choose to collect to the questions we ask. Models are opinions embedded in mathematics.”

Cathy O’Neil, *Weapons of Math Destruction: How Big Data Increases Inequality and Threatens Democracy*

How can executives make sure AI projects are responsible?

- External governance board to assess fairness, bias mitigation, explainability, privacy and compliance.
- Internal governance committee to provide standards, guidelines and interventions for responsible AI testing and implementation.
- Recruit a data scientist role or even a data science committee to monitor for bias, fairness, compliance and explainability.
- Buying tools from vendors.
- Set the boundary where automated decisions must give way to human judgment.

Confidence in Providing Assurance Over Risks (Top 5 Categories + AI)

Percentage of Respondents Rating Very Confident

- **81%**
- **67%**
- **65%**
- **64%**
- **62%**

Chart Source: 2021 Gartner Audit Key Priorities and Risks Survey

**Algorithms Need Performance Reviews, Too.**

- Should we assign a data scientist or AI architect to check regularly for emerging data/design issues?
- Should we start a formal complaints process for employee concerns?
- Formal internal audit — but are auditors ready?

**Holding AI accountable:**

- [ ] Should we assign a data scientist or AI architect to check regularly for emerging data/design issues?
- [ ] Should we start a formal complaints process for employee concerns?
- [ ] Formal internal audit — but are auditors ready?
Don’t Let Inflation Deflate Your Company’s Performance

This recovery is unusually inflationary; demand has picked up but supply isn’t keeping pace. During S&P 1200 earnings calls in 2Q21, equity analysts quizzed companies about their ability to weather rising costs; the number of mentions of inflation tripled relative to the previous quarter. While consumer price inflation gets all the media attention, the real issue is a significant escalation in the costs of inputs such as commodities, semiconductors, labor and freight.

Shortages are not the only cause of this problem. Poor decisions such as short-term planning horizons, reduced raw material orders and carrying the idea of just-in-time manufacturing too far have exacerbated the impact. Also, it won’t be easy to counterbalance inflation through further cost cutting – so many tough money-saving decisions were already made during 2020.

Yet it’s possible to turn inflation into a competitive advantage. Organizations can take three steps to do so:

1. Protect margins by charging more but target increases to customers that are less price-sensitive.
2. Spend to offset inflation — on automation, investing in suppliers to protect capacity, and design innovation that reduces dependence on a single input.
3. Take control in the market for critical inputs by offering higher salaries for in-demand skills or pre-paying for orders of crucial supplies.

— Randeep Rathindran

Five Steps to Prepare for a Possible Global Minimum Tax Rate

Finance and tax leaders must prepare for a potential global minimum tax (GMT) rate of 15% on multinational companies. The historic July agreement by 130 nations would, if enacted, combat efforts to move profits to low-tax jurisdictions, and generate an estimated $150 billion in annual tax revenue, according to OECD.

Take these steps to prepare:

1. Stay abreast of any resulting changes in countries’ tax base definitions; certain deductions are allowed in some countries while others might consider them nondeductible for tax purposes.
2. Assess whether you must adapt existing processes and technologies in response to a GMT and related compliance obligations.
3. Incorporate important differences into scenario models that quantify the additional reserves to set aside for future tax payments. Understand how the changes would affect the organization’s viability in new markets.
4. Educate senior business leaders about potential consequences, including the insights coming out of any scenario modeling. This is imperative for CFOs, who must provide intelligent responses to questions during earnings calls.
5. Reassess implementation of tax planning strategies involving countries with tax rates below 15%. The efficacy of current strategies will potentially be diminished or wiped out.

— Ashwani Gupta

Recalibrating Pay for Employees Who Want to Move and Work from Home

When offered the opportunity to work from home permanently, 48% of newly remote or hybrid employees would consider moving away from the area where they live now. And 62% of those open to relocating would think about accepting a pay cut tied to cost of living.

To optimize salary costs while promoting pay equity, it’s crucial to understand how different segments of the workforce feel about the tradeoffs of location and compensation.

Age, location, job level and family status can make a difference:

1. About two-thirds of employees under the age of 50 who are willing to relocate would consider taking a pay cut while 44% of employees ages 50 to 65 would consider the same option.
2. Sixty-seven percent of urban employees would consider moving and taking a pay cut whereas 53% and 50% employees in suburban and rural environments respectively would consider the same.
3. Seventy-two percent of employees in senior-level positions would consider a move even if it meant taking a pay cut while 58% of entry-level and 55% of midlevel employees would consider the same.
4. Sixty-eight percent of employees with children would consider a relocation-related pay cut whereas 54% of employees without children would consider the same.

— Sarah Bowen and Emily Strother

Subcultures Can Support — Not Undermine — Your Company Goals and Values

Eight in 10 companies have diverse cultures, meaning varied ways of working exist within business units, office locations, geographies and teams. To paraphrase the poet Walt Whitman, most contain multitudes.

HR leaders worry that pockets of different behavioral norms or rules can cause disconnects or conflict. But if managed correctly, these subcultures can encourage collaboration, flexibility, innovation and inclusion.

To support, rather than undermine, the greater culture, try one of the following:

1. Unify by standardizing rules and behaviors for all employee groups; this might be appropriate for merging companies with overlapping territories or a chain requiring a consistent customer experience. Don’t enforce from the top. Hold conversations to uncover cultural gaps or tensions, and have employees help create an action plan for a better match with the greater culture.
2. Tailor specific support for a particular subculture — for instance, let a Silicon Valley office adopt a more relaxed dress code than a New York headquarters. At the same time, encourage more connections to the greater culture with peer coaching.
3. Enable employees by sharing tools that customize culture guidelines to the local context. Communicate when and how employees should refresh these guiding principles.

— Charlotte Siewick
Data & Technology

The Pandemic Opened Doors for Hands-Free Technology

As COVID-19 ebbs and flows around the world, the public is more sensitive about hygiene and contagion. Industries relying on in-person customers should invest in hands-free technologies such as motion-activated devices and no-contact payment because about half of U.S. consumers told us in November 2020 that they will do more business with stores featuring these upgrades.

Healthcare, travel and entertainment industries also need to attract people on-site. More than half of consumers interpret the presence of touchless faucets, automatic doors and the like as a sign that the company prioritizes customer safety. They are also now less likely to balk at biometrics such as eye scanning and facial recognition.

Start Hiring Quantum Experts Now

Quantum computing is moving from the “it seems plausible” phase to the “let’s build it” phase; the physics are proven practical. You’ll see the really big results after engineering and scale breakthroughs that are 10 years or so away: New drugs, New fertilizers. New materials designed to offer better strength, stiffness or environmental resistance.

But sooner, by the mid-’20s, computers will move to near-perfect solutions in milliseconds. Well-prepared organizations will have a couple of points off their costs, putting pressure on lagging competitors.

To move fast by the time you need to, technology teams should seek hires with a quantum-computing background now:
1. Quantum physicists master a hard subject, but they are underemployed in their field; you can hire them now at a reasonable salary.
2. You can grow them as leaders independent of their quantum skills—for instance, they can serve as product managers.
3. Others may be able to develop the necessary skills but it’s important to seed teams with experts. Otherwise, you’ll repeat the pain of staffing up in the AI era. Nobody wants to do that again.

— Martin Reynolds

Automation Is an Underused Tool for Fighting Fraud

Fraud is on the rise since the onset of the pandemic, outstripping executives’ ability to fend it off. The Association for Certified Fraud Examiners reports companies typically uncover fraud 14 months after it occurs; the biggest portion (43%) come to light through tips. Robotic process automation and artificial intelligence aren’t used as much as they should be to streamline prevention and detection, according to Sue Bos, ethics committee member at the Institute of Management Accountants.

Automation can:
1. Identify anomalies, such as fictitious vendors
2. Assess suppliers, giving humans fewer chances to manipulate the process
3. Identify overlaps between users who authorize transactions and users who record them
4. Alert finance leaders to internal control overrides in the accounting system

To prioritize opportunities, consider:
1. Do we have expertise and resources to implement this technology?
2. Are there concerns about data quality?
3. How often does this type of fraud occur?
4. How much does each instance cost us, on average?
5. Could this type of fraud become more common or costly?

— Oana Lupu and Laura Reul

Ransomware Can Hit Backup Data Too

Ransomware now targets backup data and infrastructure and can go undetected in backup vaults for extended periods. After an attack, don’t rush to retrieve stored information and resume business operations — success will be down to blind luck.

To protect the organization from further damage, a forensic analysis is necessary. Proceeding methodically, coupled with the correct preparation, will minimize both data loss and downtime:
1. Prepare technically and administratively.
   - Establish incident response and lay technical groundwork.
   - Align security best practices and backup infrastructure.
2. Your backup needs backup.
   - Backup data must include all business-critical applications and dependencies from on-premises and cloud environments.
   - Store at least two copies — one should be immutable, with no changes possible, and the other should be maintained offline or unconnected to any networks.
   - Use artificial intelligence/machine learning processing to alert administrators of abnormal patterns such as significant change in daily incremental backup volume.
3. Recovery must take place in isolation so data can be verified with no risk of reinfection.
   - Leveraging automation will dramatically improve recovery times.
4. Check that recovered data is intact and ready for integration with production.

— Fintan Quinn

Statistics

- The Pandemic Opened Doors for Hands-Free Technology: 50% of consumers are more sensitive about hygiene and contagion.
- Start Hiring Quantum Experts Now: 43% of quantum physicists are underemployed.
- Automation Is an Underused Tool for Fighting Fraud: 43% of fraud is uncovered through tips.
- Ransomware Can Hit Backup Data Too: 50% of organizations experience data loss due to ransomware.

Growth & Innovation

The Pandemic Opened Doors for Hands-Free Technology

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— Oana Lupu and Laura Reul
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