Gartner

2019-2020 Annual Edition

Top Insights for the C-Suite

How to Excel at Both Strategy and Execution

Contents

A Perspective From Mike Harris

Executive Vice President
Research & Advisory, Gartner

Business leaders today face a very challenging business environment marked by significant change, competition, uncertainty — and opportunity.

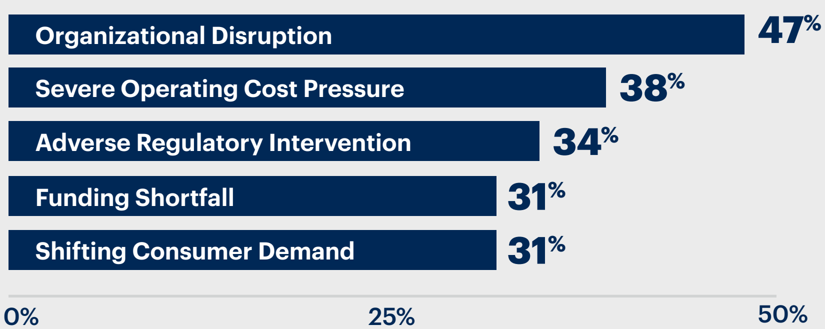
Although many organizations find it hard to accelerate through the kinds of disruptions and mixed signals they face, Gartner research shows that there are ways to position your business to drive through disruption and come out ahead, but it takes concerted action and preparation.

A Perspective From Mike Harris continued

If you're like most business leaders, you'd probably prefer not to make big moves until the signals are clearer, or you may look for ways to weather uncertainty — perhaps first leveraging low-hanging tactics like cost-cutting to improve a few performance metrics.

But neither a "wait-and-see" approach nor defensive cost-cutting will power you through adversity — not least because today's current state of uncertainty won't magically disappear.

Types of Disruption Over the Past Four Years
Percentage of Respondents, Multiple Responses Allowed



N=1,070
Q: Has your organization faced any of these situations in the past four years?
Source: 2020 Gartner CIO Survey

There's little clarity on a range of economic, regulatory, geopolitical and trade issues, and digital disruption has made widespread and multidimensional uncertainty the new normal.

Turns of fortune may be sudden (e.g., enormous security breaches) and can blindside you unexpectedly (e.g., new competition from outside your industry). The g-forces in the turn may be extreme (a nontraditional competitor that doesn't need to make a profit) and the time to impact short due to digital capabilities (viral anti-brand social media). Turns often coincide, increasing the need to react on different business vectors and requiring a high-performing executive team.

To survive any such turns, organizations must be able to flex as the environment changes. But some progressive business leaders, our research shows, do more than survive; they thrive — by embracing turns as a prime opportunity to seize and sustain a competitive edge.

But resilience during disruption in this way requires you to prepare before the turn — whether you're on the executive committee crafting enterprise strategy or leading your function to execute it.

A Perspective From Mike Harris continued

The risk of paralysis is very real, especially if your organization lacks institutional memory of operating outside of a growth cycle. Many of today's leaders have, for example, only led strategy and operations during times of growth. Fewer than half of current CxOs were functional heads during the 2008-09 financial crisis, and less than 10% were heading the same function in their current company.

Lack of preparation creates business risk. In today's business environment, being right is only half the battle. Companies also need to execute at speed — intensely pursuing strategy with confidence and discipline as the environment changes.

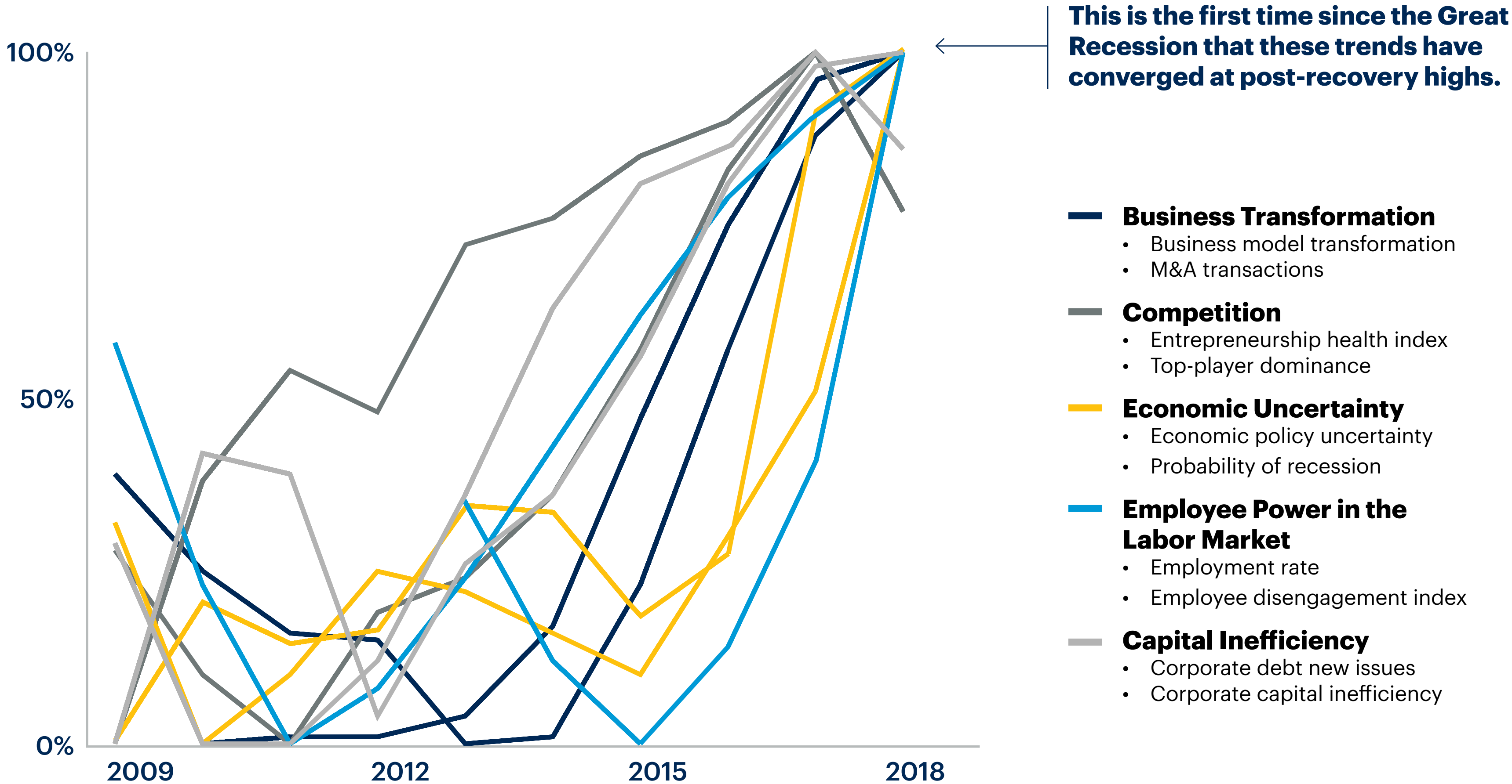
This e-book delivers insights from Gartner research in 2019, featuring data and findings from proprietary surveys and engagements. It highlights the actions that progressive functional leaders are taking to improve their execution and drive forward the organization's objectives, especially through disruptive turns and uncertainty.

These practice-specific insights tackle the very real changes that functional leaders face in their own areas of the organization — from the lack of critical skills and capabilities to evaluating risks and speaking data as a second language — as well as their imperative to execute against the enterprise objectives.

Best regards,

Uncertain Business Conditions Seen in Unprecedented Market Trends

Trend lines across major indexes



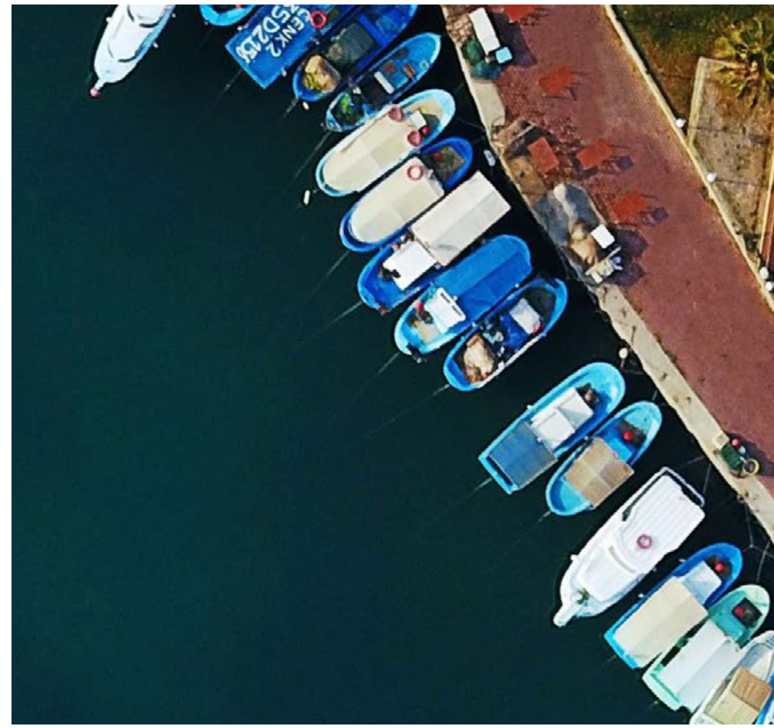
Scaled from 0% to 100%, and where 0% is the minimum while 100% is the maximum rolling three-year average reached since 2009. Trends are based on well-known indexes and reported benchmarks and both public and proprietary data.

Source: Gartner

2019-2020 Annual Edition

Top Insights for the C-Suite

How to Excel at Both Strategy and Execution: A Corporate Strategy Perspective



What strategy leaders should know

The gap between strategy and execution is not a new problem, but closing that gap (or not) in today's highly uncertain economic, market and competitive environments can make or break a company's top and bottom line.

Companies are pursuing more ambitious and transformational strategies, which require a greater number of more costly enterprisewide initiatives. As a result, strategy teams are more deeply involved — and more stretched — in pushing strategy leaders to create ways to scale efforts and ensure their guidance is driving execution alignment across the firm. Investing in disciplined execution now will reduce the risk that strategic value is lost later.

Marc Kelly
VP, Team Manager
Gartner Research & Advisory

Strategy

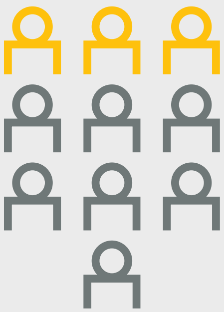
Strategy execution as competitive advantage

CHALLENGE

Disruptive times complicate strategy execution

In the 2019 Gartner Strategy Execution Benchmark Survey, 83% of strategists said execution is more important than it was three years ago, and two-thirds said they now play a role in execution support — double the number just four years ago.

Why is this necessary? Many managers today find it hard to stay aligned with strategy, not because they don't understand or aren't committed to the strategy, but because they don't fully understand how to carry it out in the continually changing and uncertain operating environment.



30%

Only 30% of strategists agree that execution efforts are aligned with strategy.

Only 30% of strategists are confident that they are driving execution.

Source: 2019 Gartner Strategy Execution Benchmark Survey

46%

Only 46% of executives and managers agree that their efforts are aligned with strategy.

Source: 2019 Gartner Strategy Execution Benchmark Survey

The unsettled external landscape injects new variables into strategic plans, creating questions about whether and how to proceed while simultaneously driving urgency to act. More complex firmwide initiatives make coordination difficult and obfuscate the impact of interconnected changes. More distributed decision makers increase the risk of duplicated effort and misaligned decisions — and make it harder to pinpoint the source of execution failures.

It is because of this highly disruptive environment that many strategists are now charged with improving execution. They review execution action plans, troubleshoot execution problems, coordinate enterprise change and support resource reallocation. But many still aren't sure they are having an impact.

PAIN POINT

Three common problems delay strategy execution

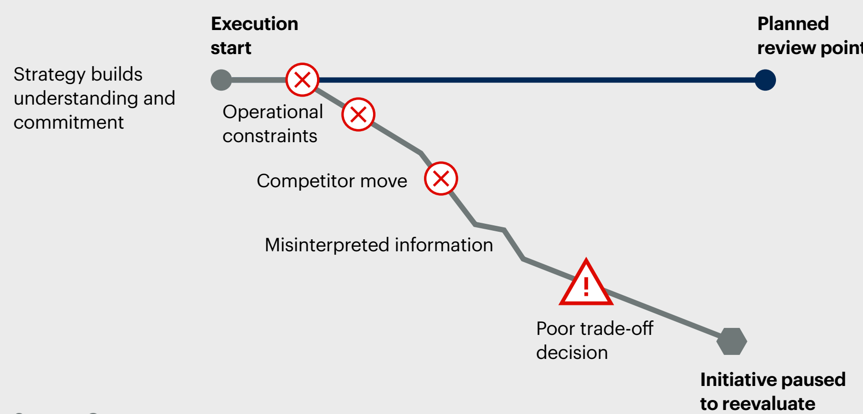
Numerous issues complicate or delay strategy execution, but we find three are the most common problems:

1 **Managers lack insight into how their decisions impact other teams**, so well-intentioned managers tweak execution plans in ways that completely derail others downstream, for example.

2 **Unexpected events are disconcerting for managers**, diverting their focus when they most need to act. Execution veers off course as managers try to evaluate and weigh the trade-offs created by new scenarios.

3 **Pivots are underresourced and often fail** because these shifts in the execution plan are made by senior leaders who take too long to decide and are too far from operational realities, or by middle and frontline managers who understand the execution issue but lack the insight to know that the pivot will damage another part of the business.

Strategy Execution Veers Off Course Due to Unexpected Events



Source: Gartner

The new strategy execution mandate

Gartner studied project-level execution data from more than 200 senior executives and midlevel managers to identify the drivers of strategically aligned execution.

The research shows that building a thorough understanding and commitment to the strategy upfront, midexecution support, and periodic changes to performance management processes and decisions all contribute to alignment. Notably, the greatest improvements occur during midexecution, when strategy's guidance is critical to interpreting and responding to unexpected events.

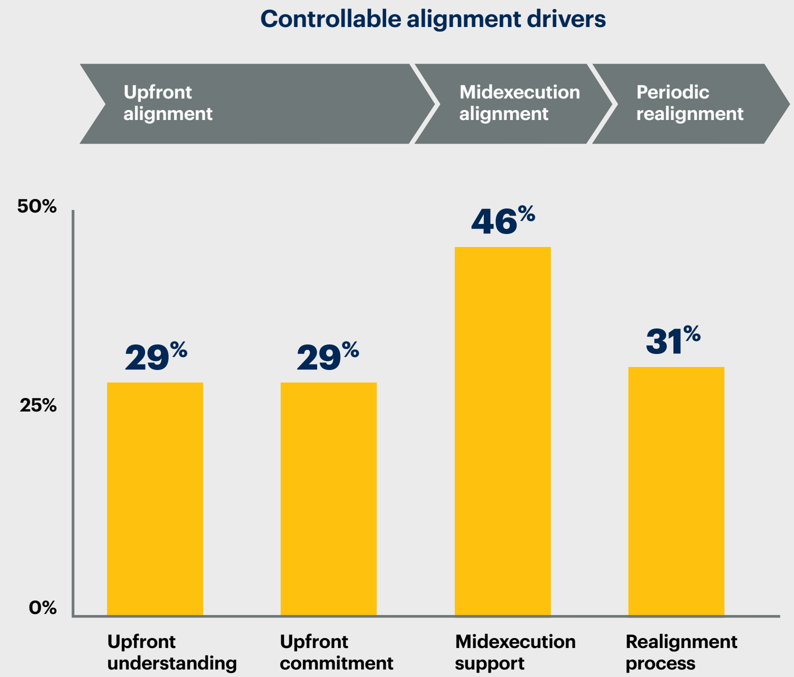
Improving midexecution decisions is 60% more effective at driving strategic alignment than the upfront or periodic activities but, strikingly, strategists widely underestimate the impact of midexecution support and widely overestimate the impact of upfront and periodic alignment.

To better address the execution issues that executives and managers face today, strategists should seek to improve their execution playbook across the board to:

- Strengthen cross-silo understanding among project teams.
- Plan for trade-offs and guide the interpretation of new information.
- Equip frontline managers with the tools to pivot.

Impact of Drivers on Aligned Execution

Maximum impact on aligned execution by moving from 10th to 90th percentile



Source: 2019 Gartner Strategy Execution Change Model

The Gartner Expert View

"Given the uncertainty about the near future, many leadership teams either fail to make bold moves that will differentiate them or have execution breakdowns after arriving at the right strategy. Strategists can boost confidence that their enterprise will execute during volatile times by ensuring alignment among those managers charged with execution."

Sean Kumar
Director, Advisory

Moving From Insight to Action

Gartner Strategy Leadership Council

Discover how Gartner supports strategists

Gartner Strategy Leadership Council is the definitive research and advisory resource for strategy decision makers. Gartner equips strategy leaders and their teams across a range of key areas, including corporate strategic planning, corporate strategy formulation and strategy function leadership.

In addition, Gartner's unique blend of insights, advice and tools support the success of strategy leaders by:

- Implementing digital and portfolio strategies in an uncertain environment
- Staying ahead of trends that impact the firm's growth strategy
- Elevating the effectiveness of corporate strategic planning processes
- Positioning the strategy function for success in an interconnected enterprise

Learn more

Strategy's New Execution Mandate
Learn where strategists must focus to improve strategy execution.

Connect with Gartner today

Gartner equips corporate strategy executives to make the right decisions and stay ahead of change.

Learn more about how Gartner can support your success.

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Email: topinsights@gartner.com
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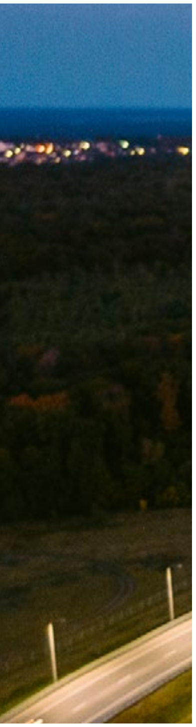
1 855 649 4966 (U.S.)



2019-2020 Annual Edition

Top Insights for the C-Suite

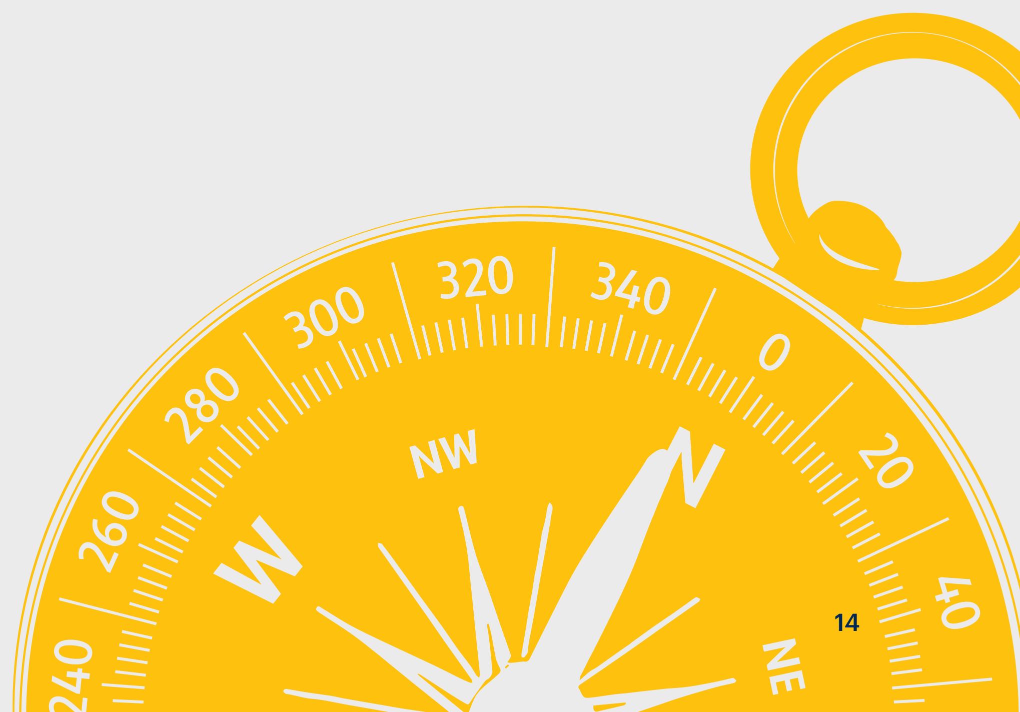
How to Excel at Both Strategy and Execution: An IT Perspective

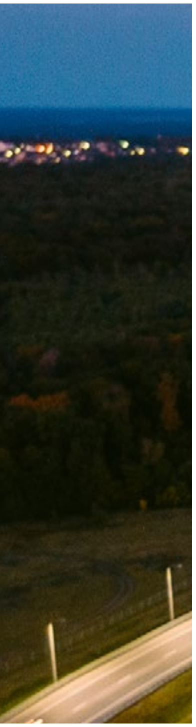
What IT leaders should know

In 2020 and beyond, virtually every enterprise will experience a market transformation or other crisis that requires a fundamental change in how they do business. In the face of such disruptive "turns," enterprises will win by their ability to handle crisis and disruption, not by optimizing for stability. CIOs play a key role in increasing the enterprise's fitness and ability to emerge from a crisis stronger than before.

CIOs must anticipate opportunities and threats, and make the organization adaptable to changing conditions. They must be visionaries and pragmatists — clearing a path for innovation to occur across the organization while making timely data-driven decisions.

Val Sribar
Senior Vice President
Gartner Research & Advisory





Information Technology

Resilience during disruption

CHALLENGE

Organizations face ongoing uncertainty and business disruption

Business turns can come in many forms, including acquisitions, cost pressures and shifts in consumer demand as well as systemic shifts such as a possible recession, growing trade wars and digital disruption.

It's not hard to imagine sales plummeting, the cost of inputs spiking or digital competitors entering the market. When crises like this hit, many enterprises languish — and some lose their competitiveness.

90%

of enterprises have experienced a turn/disruption.

Source: Gartner CIO Agenda 2020

40%

will be scaling and refining their digital initiatives in 2020, up from 17% in 2018. Others are still in the "initiating" stages.

Source: Gartner CIO Agenda 2020

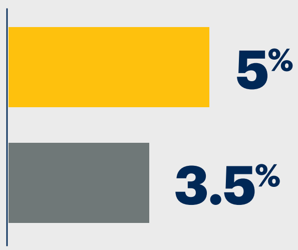
Even digitalized organizations remain vulnerable to change. Digital has become business as usual, with the number of enterprises that have reached the scaling and refining stages of their digital journey continuing to increase.

Digital itself is no longer a differentiator, but the vast majority of enterprises are optimizing existing business models, not transforming themselves. As a result, many digitalized enterprises are highly vulnerable to turns in business conditions that require them to undertake fundamental change.

Stumbling in a turn threatens profits and more

Organizations that emerge from a turn behind or far behind where they were previously (a segment we label “fragile”) lose on multiple counts.

Gartner analyzed the performance of nearly 1,000 organizations that had experienced a severe crisis and found that those that lost ground during turns take a hit to revenue and profits temporarily, but also find it harder to run and grow the business going forward.



Fit enterprises increased their revenue at a compound annual growth rate of 5% over the past three years, compared with 3.5% for fragile enterprises.

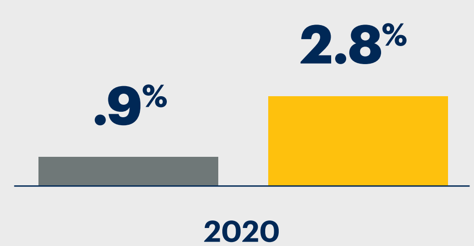
Source: Gartner CIO Agenda 2020

The profit margins of fragile enterprises shrank over the past five years, whereas “fit” enterprises maintained their margins.

Gartner CIO Agenda 2020

These fragile organizations attract less talent, launch initiatives more slowly, have less money to invest in the business, and generally find it harder to plan and execute strategies to drive innovation and growth. They suffer permanent structural damage.

Fragile firms are also far less able than their “fit” peers (those that emerged from turns ahead or far ahead of where they were before the turn) to respond to change.



IT budgets at fragile companies are set to grow 0.9% in 2020, compared with 2.8% for the average organization.

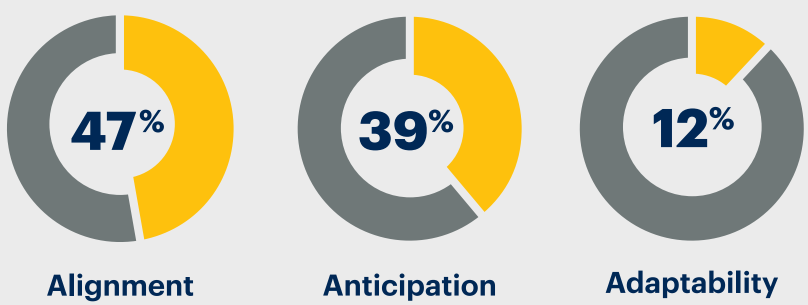
Source: Gartner CIO Agenda 2020

Align, anticipate, adapt

Gartner found that fit organizations exhibit specific capabilities. CIOs should tackle these capabilities in order:

- **Alignment** is the area where fit enterprises most outperform fragile. Drive alignment to ensure that the organization can stay together while shifting direction. Shifts often mean becoming more deeply, strategically digital, so it's key to have great business leadership that promotes dynamic alignment and reaches into the IT organization.

Impact of each category on fitness



Source: Gartner CIO Agenda 2020

- **Anticipation.** Fit enterprises don't wait for circumstances to force a change in direction. Their leaders actively search out and act on emerging opportunities. IT is critical to strategy execution, and must be able to anticipate both opportunities and threats.
- **Adaptability** is the IT organization's chief responsibility. In fit enterprises, IT executives don't just take orders and keep costs down; they outperform by acting on the business's terms, making the organization adaptable to change — and turning the IT organization into an instrument of change.

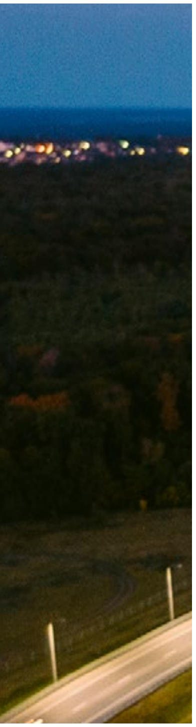
The Gartner Expert View

"Forty percent of organizations are now digitally at scale. It's time to focus on something new: Disruption — and getting the organization fit enough to tackle disruptions and come out ahead."

Andy Rowsell-Jones
Distinguished VP Analyst

"Even digitalized enterprises can be vulnerable to a crisis that demands fundamental change. Organizations that handle these disruptions poorly will suffer permanent structural damage."

Chris Howard
Distinguished VP Analyst



Information Technology

The future of data and analytics is now

CHALLENGE

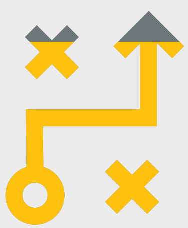
D&A struggles to communicate the value of data

Data and analytics (D&A) is increasingly at the heart of every organization's digital business strategy, and D&A leaders can play a key role in creating monetization opportunities, radically improving customer experience and reshaping industries. The time is right for them to exploit data to inform smarter actions that drive better, consistent organizational outcomes.

But although D&A has the potential to embed insight and intelligence into every decision, every opportunity and every outcome, businesses across all industries continue to struggle with the ambiguity of determining the value of D&A — and executing strategies to fulfill its potential.

For organizations to make data integral to how they work, let alone use data insights to fundamentally change their value proposition, D&A leaders must be able to describe the value of D&A upfront and sell it directly to all stakeholders — in particular, articulating the value of data in driving stated business outcomes.

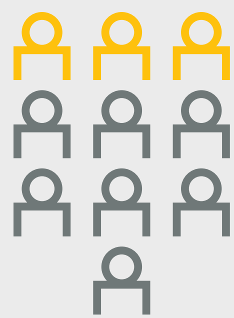
In the future, the value of and urgency around D&A will only increase, especially as organizations increasingly combine human intelligence with machine or artificial intelligence (AI). In our 2019 CIO Survey, CIOs picked AI as the top game-changer technology, and our recent 2020 CIO Survey indicates more than 52% have or will deploy AI in 2020.



90%

By 2022, 90% of corporate strategies will explicitly mention information as a critical enterprise asset and analytics as an essential competency.

Source: Gartner



30%

By 2022, 30% of chief data officers will partner with their CFOs to formally value the organization's information assets for improved information management and benefits.

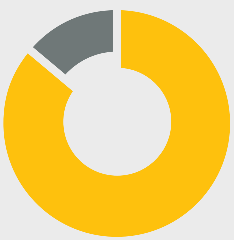
Source: Gartner

PAIN POINT

Lack of data literacy hampers business outcomes

In most organizations, business leaders don't really understand exactly how D&A supports their work, and D&A professionals lack sufficient understanding of business context.

D&A leaders need a new and concrete way to articulate the value of data. System architectures have historically been based on localized applications, with the application considered the asset and the data merely an input and byproduct. D&A leaders struggle to shift gears and position data as an asset in and of itself.



86%

of D&A leaders say their top responsibility is defining data and analytics strategy.

Source: Gartner

25%

By 2020, 25% of large organizations will be either sellers or buyers of data via formal online data marketplaces.

Source: Gartner

Also missing is sufficient alignment between D&A and business strategy. Today, too few D&A leaders ask key questions like: "With this data, or this type of insight, how can we fundamentally change the value propositions for our customers?" or "How does the business process and response change given this new insight?" Many don't even know to ask the questions at all.

GARTNER SOLUTION

Drive consensus on the business value of data

Delivering better business outcomes requires a data-literate organizational culture that values information as an asset. Gartner research suggests that data literacy will be the single biggest determinant of a successful deployment of data, analytics and AI going forward.

Work with key business partners to build a D&A strategy that is directly linked to the key business outcomes of growth, customer experience, monetization of D&A, risk mitigation and innovation. Identify and communicate, using tangible examples, the business value of data and analytics. Champion both the tangible and intangible value of information assets. Make sure to provide analytic insight (not just data) to enable better business decision making.

80%

By 2023, 80% of organizations will target data literacy competencies for development.

Source: Gartner

Promote data literacy awareness and lead purposefully on key issues such as skills development, closing talent gaps, building the right teams and formalizing the right roles.

Align your AI capabilities to organizational ambitions by annually matching the maturity stages to your own activities for AI-powered applications and projects.

Data literacy is

"the ability to read, write and communicate data in context, including an understanding of data sources and constructs, analytical methods and techniques applied, and the ability to describe the use-case application and resulting value."

Source: Gartner

The Gartner Expert View

"In this world of ambiguity — characterized by uncertainty, risk and doubt — it's time to lead with purpose and bring clarity through data and analytics that you can rely on and, most importantly, trust. CEOs in all industries are turning to CDOs and chief analytics officers to build the digital organization of the future and achieve business objectives. D&A is the linchpin in embedding insight and intelligence into every decision, every opportunity and every outcome."

Andrew White
Distinguished VP Analyst

"We expect that by 2020, 80% of organizations will initiate deliberate competency development in the field of data literacy, acknowledging the extreme deficiency that exists today."

Alan D. Duncan
VP Analyst

Moving From Insight to Action

Gartner for IT Leaders

Discover how Gartner supports CIOs and IT decision makers

Gartner for IT Leaders is the definitive research and advisory resource for IT executives. Gartner equips IT leaders and their teams to drive business impact across a range of key areas including driving digital business transformation for industry leadership, digital disruption and innovation, and D&A strategies.

In addition, Gartner's unique blend of insights, advice and tools support the success of IT leaders by:

- Leading successful digital transformations
- Leveraging innovation to drive strategic business changes
- Making smarter digital and technology decisions

Learn more

Download the key take-aways from the Gartner 2020 CIO Agenda

Download the Gartner Special Report: The Future of Data and Analytics Is Now

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2019-2020 Annual Edition

Top Insights for the C-Suite

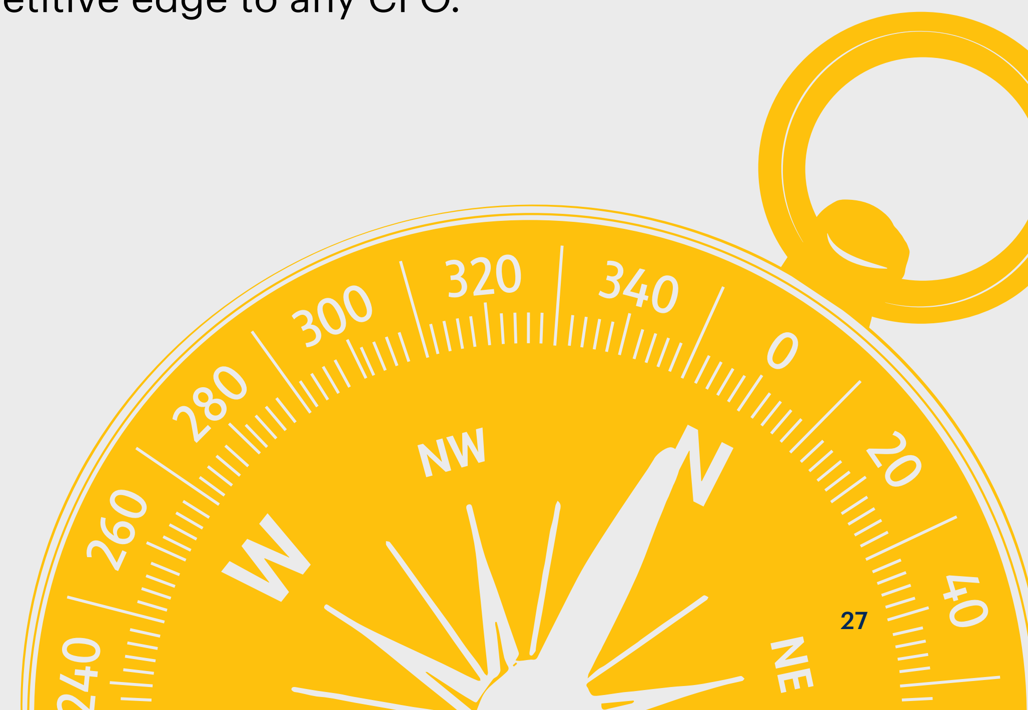
How to Excel at Both Strategy and Execution: A Finance Perspective

What finance leaders should know

CFOs are challenged today to structure costs to drive a specific competitive strategy, manage costs relative to external benchmarks and investor pressure, and act on cost-related risks and opportunities stemming from the business cycle — all while under pressure from investors to control costs and from business leaders to fund growth opportunities in uncertain times.

Certain companies have generated extraordinary returns for their organizations by succeeding at this balancing act, and achieving what Gartner calls “efficient growth.” In this and other areas, learning from the unconventional ways and unique approaches of industry leaders can offer a competitive edge to any CFO.

Bryan Kurey
Practice Vice President
Gartner Research & Advisory



Finance

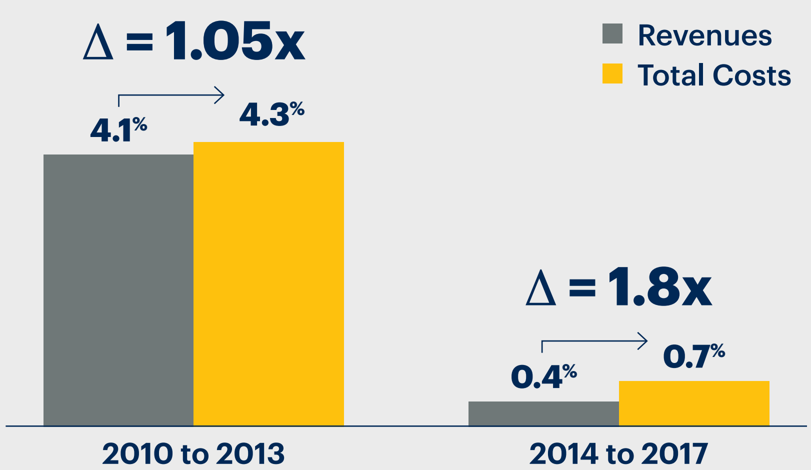
Translate growth into sustained profitability

CHALLENGE

CFOs need to structure costs for efficient growth

CFOs have long been the primary architects of the organization's cost structure, but the task of controlling costs has become even more complex and strategically significant. Overall cost growth continues to outpace revenue, making it difficult to translate long-term growth bets into sustained profitability — especially while navigating highly disruptive digital transformation and mixed macroeconomic signals.

Global Revenues and Total Cost Growth
Median Compounded Annual Growth Rates, S&P Global 1200



Source: Gartner

In stronger and more certain economic times, investors tend to focus on costs indirectly through the lens of growth — and are willing to view cost increases as investments. But when macroeconomic and other uncertainties grow, their focus shifts rapidly to the bottom line.

If company growth stalls or economic activity slows, investors eye the bottom line intently, and CFOs and senior management push to demonstrate they are protecting shareholder returns by targeting costs — often arbitrarily. Stewarding resources against the business cycle is only part of the challenge. CFOs must also manage a company's cost structure relative to its industry competition to translate their long-term growth bets into sustained profitability.

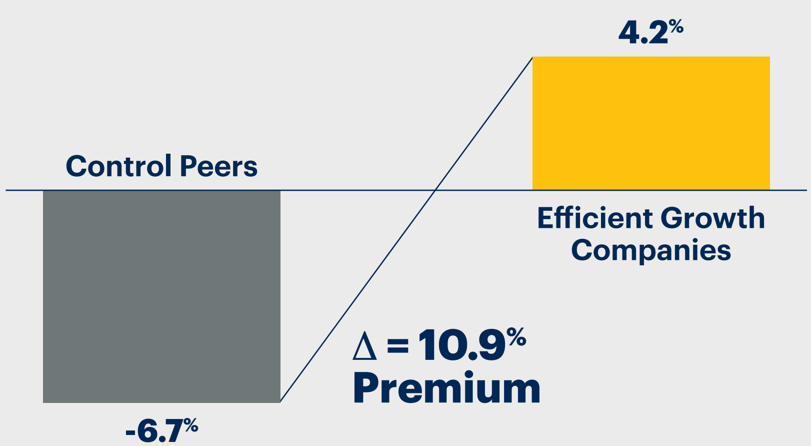
PAIN POINT

Cost issues reduce top-line growth and opportunity

Many CFOs react to cost pressure and uncertain times by trying to protect shareholder returns with knee-jerk cost cuts — e.g., reducing head count, switching to lower-quality inputs, or delaying capital and innovation investments. These types of initiatives may assuage senior management but they often destroy value and eliminate the very resources needed to achieve long-term goals.

Operating Cost Productivity

Average EBIT CAGR — Revenue CAGR (2010–2017)



Source: Gartner

The organization handicaps itself, and finds it difficult to find and fund transformational innovation, develop breakthroughs, pursue large M&A deals, invest in new markets (even if they don't yet exist) and pursue other bold strategies designed to ensure business growth.

Since the financial crisis, just 5% of the largest global companies have achieved successive years of cost productivity while at the same time achieving long-term revenue growth and short-term growth and margin expansion — a combination we call "efficient growth." The operating cost productivity of companies that don't achieve efficient growth is almost 11 percentage points lower than those that do — creating a crushing underperformance in profitability.

GARTNER SOLUTION

Pursue scale, not scope, in the cost structure

CFOs of efficient growth companies don't merely dare to be adequate in managing overhead costs. They restructure the cost base to drive efficient growth.

More specifically, these CFOs build scale in the cost structure with focused growth bets, simple product and service lines, and dense operational and customer footprints — which together drive higher operating leverage from a focused fixed cost base.

These CFOs institutionalize the realization that all growth is not created equal. What looks attractive from a top-line perspective can erode competitive advantage in some cases and entrench an advantage in others. They also work to avoid scope "creep" that occurs when business leaders — perhaps pursuing short-term targets or diversification plans — favor new growth ideas that add scope and erode operating margins.

Efficient growth companies structure costs differently. Compared to similar-size competitors, they:

24% **Structure product and service lines into 24% fewer segments**

18% **Invest in 18% fewer industries**

20% **Derive 20% more revenue from their largest geographic segments**

Source: Gartner

Finance

Create decision-ready management reporting

CHALLENGE

Performance data lacks insight

Over the past three years, the share of analytics spend in the finance budget has increased by half. Despite that increased investment, 54% of finance organizations still struggle to provide data and reports stakeholders can rely on to inform their decisions.

The performance data in management and other internal reports (financial, operational, customer, macro and other driver data) is integrated by most finance functions into a centralized, finance-governed report. This "single source of truth" (SSOT) may be accurate, but it's not fit for decision making.

What makes data decision-ready? Performance data used by the business is:

1. Multidimensional (financial + operational + external and business driver data)
2. A combination of raw data, reports and analysis
3. Always on, accessible with varying frequency
4. Drawn from sources with varying levels of data quality

The misalignment between finance-reported data and performance data used by the business increases the likelihood of different interpretations and introduces inconsistency in decision making.

The vast majority of organizations are in the early stages of data management maturity, struggling with this misalignment. The challenge for finance, then, is how to incorporate a broader set of performance data into its reporting — even (and perhaps especially) when that data diverges from reported financials.

18%

Only 18% of business decision makers believe the data in management reports, other internal reports and business intelligence tools is decision-ready.

22%

Only 22% of finance leaders report that their company's performance data is decision-ready.

Source: 2019 Gartner Data Management Model

PAIN POINT

"Single source of truth" stymies decision making

SSOT inherently focuses on accuracy as an overriding objective for performance data, resulting in poor returns on investment for data-quality initiatives. It forces finance to govern all reported data to SSOT standards, even when the data is fundamentally unsuited for that level of treatment — and yet belongs in the equation to make decisions. Business leaders also end up going outside the data in management reports to supplement the lagging and incomplete SSOT data they receive.

The costs of having data that isn't decision-ready are high. For one thing, time is lost. Analysis by financial planning & analysis (FP&A) teams can be delayed by as many as 10 to 15 days per dashboard as they waste time trying to find the right data, ascertain its underlying definition and organize it for analysis.

And because the data views are limited (since SSOT can't absorb data from a distributed network), business leaders often don't even see the complete impact of imperfect performance data, so their suggested data quality improvements aren't targeted to areas with the greatest economic costs.

What happens when business leaders get an incomplete picture of the costs of faulty data

Sales

Sees missed sales opportunities

Doesn't see service delays

Marketing

Sees missed marketing outreach

Doesn't see time spent reformatting data

Customer Service

Sees customer service support costs

Doesn't see duplicated expenses

Source: Gartner

GARTNER SOLUTION

Pursue sufficient versions of the truth

As performance data grows in volume, variety and velocity, finance must adapt to the notion that data can be imperfect and still valuable for analytics and decision making — as long as the costs of these imperfections are understood. Accordingly, Gartner found that organizations using a “sufficient versions of the truth” strategy are far more effective at producing decision-ready data.

In the “sufficient versions” approach, finance makes informed trade-offs between the cost of bad data and the effort of additional data governance to enable ownership to reside with distributed data owners. The approach features localized data governance and prioritizes data improvement efforts that align to business value drivers. It yields a 41% greater contribution to decision readiness of performance data than SSOT.

Organizations with decision-ready performance data:

Almost 3x improvement in operational decision quality

4.8x more likely to terminate poorly performing projects

5.3x more likely to quickly invest in new opportunities

3.6x as likely to find opportunities to take out unnecessary costs

Source: 2019 Gartner Data Management Model

The Gartner Expert View

"It feels intuitively correct to pursue growth by expanding scope — new products, new markets, new adjacencies — because executives are hard-wired to believe that diversification is good. However, it's almost always a recipe for underperformance."

Jason Boldt
Director, Research

"The idea that we don't need a draconian governance system (i.e., single source of truth) over the enterprise's performance data is underappreciated by many finance leaders. Finance needs to bring a value-driver lens to data management."

Randeep Rathindran
VP, Team Manager

Moving From Insight to Action

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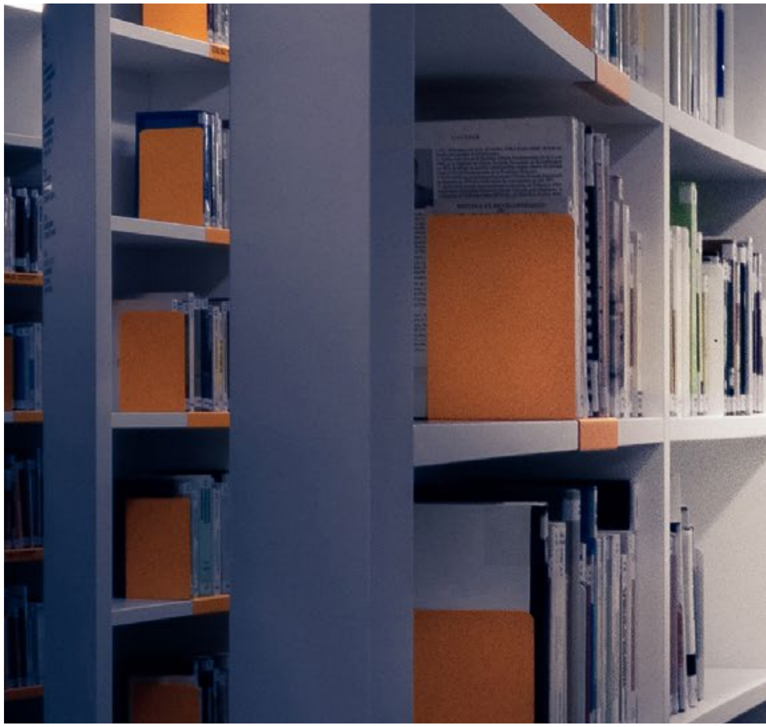
Top Insights for the C-Suite

How to Excel at Both Strategy and Execution: An R&D Perspective



What R&D leaders should know

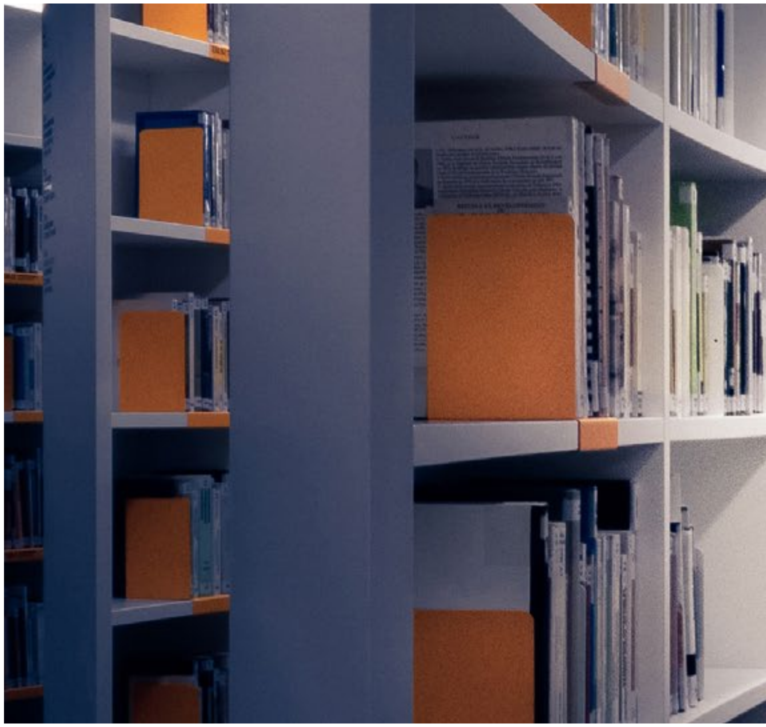
Leaders in R&D often tell us that the impact of the new products they develop is not sufficient to meet their company's growth ambitions. When they reflect on why products have failed in the past, they point to poor product/market fit, which is often driven by an unclear sense of customer needs, poor communication of critical insight across the organization and cross-functional misalignments.

Our research shows that it's not enough just to have customer and market insight that's clearly shared and understood throughout the organization. Rather, R&D teams must take a challenging posture to continually validate and confirm that insight throughout development to create new high-impact products. When R&D teams adopt that challenging posture, they deliver new products with a greater commercial impact than do their peers.

Katie Bennett Camilli
Vice President, Team Manager
Gartner Research & Advisory

R&D

Increase the commercial impact of new product development



CHALLENGE

Gauging R&D contribution to product success

Only 53.5% of the R&D leaders that Gartner surveyed about new product development (NPD) say that their NPD processes generally improve a product's likelihood of success. That means nearly one-half of R&D leaders have an NPD process that is leaving money on the table. But why?

Product failures can often be traced to poor customer understanding, NPD process mismanagement and poor hand-offs/mistimed launches. Additionally, it's difficult for R&D's NPD teams to know the key drivers of product success and subsequently to increase their hit rate for newly launched products, especially in today's demand-constricted environment.

41.8%

of R&D professionals aren't sure that their company's NPD processes generally improve a product's likelihood of success.

Source: 2019 Gartner New Product Development Process Benchmark Survey

Companies seek to improve NPD outcomes in many ways, with little agreement on what works best.

R&D leaders develop metrics and processes to define their own roles in driving product success and to ensure R&D activities are tightly aligned to driving commercial outcomes. But in many cases metrics, processes and incentives pull teams to overemphasize project outcomes over product outcomes, and don't actually measure the factors or foster the behaviors most likely to drive commercial success.

R&D executives most commonly invest in these activities to improve R&D's contribution to commercial success:

- Changing NPD processes (18%)
- Improving customer and market insight (17%)
- Changing product strategy (15%)
- Better aligning internal and external stakeholders (15%)

Source: Gartner

R&D isn't driving product success as it could

Product success indicators are lagging and hard to attribute to R&D's efforts. Gartner studied the impact of various factors — NPD team effectiveness, NPD project experience, business partner relationships, and customer insight and understanding — on R&D's contribution to product success, and found that many activities added little or no value.

Focusing on the wrong activities comes at a price. Consider misguided business partnering. Many NPD teams respond eagerly to business partner (BP) demands and rely on BPs to advise on problems that arise during development, because BPs "own" the product. But high-quality BP collaboration had no significant impact on product success, and an increase in BP centricity actually had a negative impact.

Similarly, having direct access to customer information and understanding customer needs proved insignificant for success. It turned out that, as conducted, these activities weren't actually delivering meaningful insights that would translate into commercial success.

Business partner centricity impedes success

Source: 2019 Gartner New Product Development Process Benchmark Survey

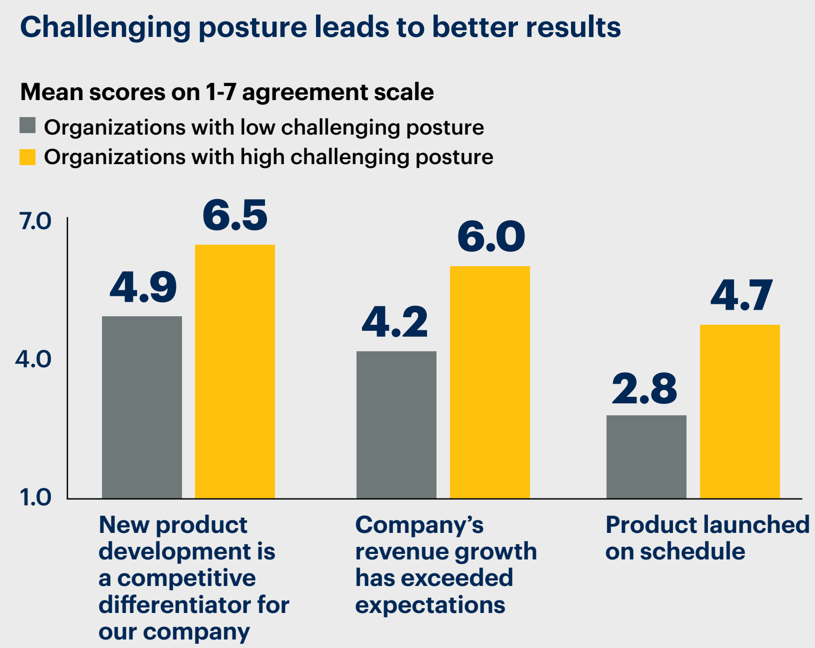
Adopt a challenging posture

Of all the activities that Gartner examined, one had an outsized impact on product success: Taking a "challenging posture" to customer insight and understanding — specifically scrutinizing the quality of customer data and considering different approaches to solving customer problems.

The approach keeps R&D focused on the things that really matter in driving product success, reinforces desired product outcomes, signals to R&D leaders where effort or time is wasted, and surfaces shifts in assumptions that indicate when project success indicators may need to change.

To overcome any reluctance among R&D teams to challenge business partners:

- Provide R&D teams with coaching and tools, enabling them to pressure-test beliefs and assumptions in a way that creates business value.
- Set new expectations for R&D managers, focusing them on challenging organizational assumptions instead of resolving project conflicts themselves.
- Educate business partners about the value of such interactions. Establish shared decision frameworks to frame information and demonstrate customer impact.



Source: 2019 Gartner New Product Development Process Benchmark Survey

The Gartner Expert View

"R&D leaders tell us that far too often, new product development is treated as a team sport with no captain, no understanding of how to win the game and no clarity on what sport is even being played! Because measuring product success is inherently very difficult, R&D teams overly rely on project success measures such as on time, on budget and on technical specifications. Unfortunately, project success and product success have a tenuous correlation at best. Leading R&D teams develop a challenging posture to continually pressure-test assumptions about customer needs (articulated and unarticulated), the job to be done and the product impacts that drive new product success."

Atul Dighe
Vice President, Advisory

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In addition, Gartner's unique blend of insights, advice and tools support the success of R&D leaders by:

- Leveraging best practices to identify R&D initiatives with growth potential
- Adapting templates and implementation resources to increase pipeline efficiency
- Improving project valuation accuracy through assessments and benchmarking
- Following playbooks to foster ideation and innovation

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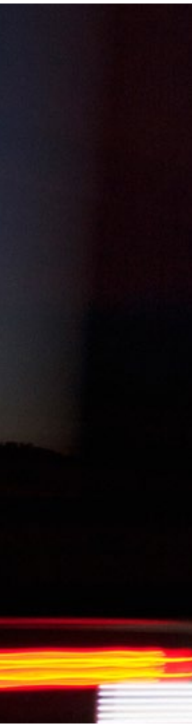


2019-2020 Annual Edition

Top Insights for the C-Suite

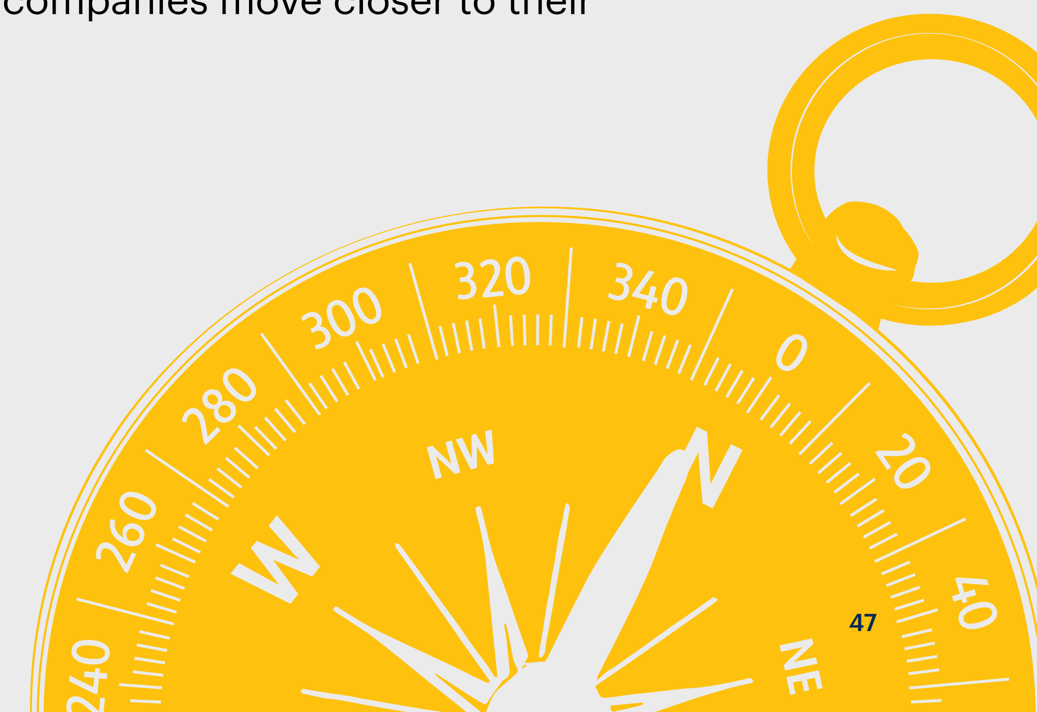
How to Excel at Both Strategy and Execution: A Supply Chain Perspective

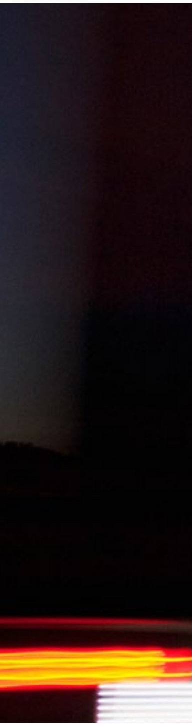
What supply chain leaders should know

Supply chain executives must prepare and lead by building agility into systems, processes and decision making. Personalization at scale, leveraging ecosystems and driving business-led digital strategies are this year's most common trends among heads of supply chain. Top-performing supply chain leaders not only stay ahead of the latest trends, they defy conventional thinking during disruptions, with the most successful taking risks in "the turns," whether they be economic, geopolitical, environmental, social or competitive.

The Gartner Supply Chain Top 25 is about leadership. Every year we identify the companies that best exemplify the demand-driven ideal for today's supply chain and document their best practices, which can help all companies move closer to their demand-driven goals.

Mike Griswold
VP Analyst
Gartner Research & Advisory





Supply Chain

Adopt the right supply chain technologies to drive business goals

CHALLENGE

Supply chains are under pressure to invest in new technology

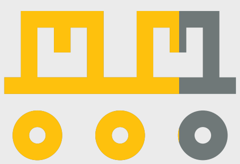
Supply chains are looking to invest in new technologies to optimize costs, meet increasing customer expectations and enhance their decision-making ability. However, the hype and buzz surrounding many technologies complicates the ability of supply chain leaders to identify solutions relevant to their current and future business needs.

Organizations are feeling the pressure to keep up with industry leaders, early adopters and the pace of change in technology, or they risk missing an opportunity for potential competitive advantage. However, pursuing the latest trend without alignment to the supply chain organization's strategy is a costly and ill-advised proposition.

39%

of chief supply chain officers plan to implement, but have not started to actively define, a digital supply chain roadmap.

Source: 2018 Gartner Digital Supply Transformation Survey



81%

of supply chain leaders say it's challenging to scale new experimental innovation into operational production use.

Source: 2018 Gartner Digital Supply Transformation Study

PAIN POINT

Risks of falling behind the competition

It is essential to understand where your business is going in the future and to define what capabilities the supply chain must put in place to meet future digital business needs. But few companies have yet begun to implement a roadmap to plot a direction and timeline for reaching a desired future state for their digital supply chain. Among those businesses that do have active plans, the focus is typically on efficiencies for current, not future, needs.

Companies that fail to define which capabilities the supply chain requires to meet future digital business needs risk falling behind their competitors in the race to embrace digital business.

Supply chain leaders need a mindset and practices that can accommodate and embrace perpetual change, and a plan for the longer-term horizon. Without these things, their organization will be unable to respond to the disruption that supply chains will feel from new and innovative technologies — and will fail to convert those innovations into value.

47%

Only 47% of companies are actively defining or implementing a digital supply chain roadmap.

Source: 2018 Gartner Digital Supply Transformation Survey

"Will your digital initiatives focus on supporting new business model designs?"

Yes, over the next 2 years

Yes, in 2 - 5 years

Source: 2018 Gartner Digital Supply Transformation Survey

GARTNER SOLUTION

Learn from leaders with the Gartner Supply Chain Top 25 research

Every year, Gartner experts study the supply chains of hundreds of companies to identify examples of best practices and capabilities. The Gartner 2019 Supply Chain Top 25 shows that leading firms tend to be early adopters of new business concepts and technologies, and they strategically align their supply chain digital capability roadmaps with their broader digital business transformation.

Organizations are also looking to invest in new technologies to optimize costs, meet increasing customer expectations (i.e., visibility, speed of service, personalization) and enhance their decision-making ability.

The key technology trends that chief supply chain officers must be aware of are:

- **Artificial intelligence.** This remains one of the most talked-about technologies within supply chains, with the primary benefits seen as improving efficiency and reducing costs.
- **Advanced analytics.** As supply chain organizations strive to become more advanced, they are leveraging end-to-end data insights for intelligent, end-to-end decision making.
- **Internet of Things (IoT).** As the number of IoT devices continues to increase, IoT is providing functional domains within supply chains with an increasing number of use cases.

74%

of top supply chain organizations across industries demonstrated AI use cases.

Source: Gartner

66%

of top supply chain organizations have been actively using or exploring advanced analytics capabilities.

Source: Gartner

The Gartner Expert View

"Leading supply chains are transforming business models and redefining markets by blending well-established physical capabilities with emerging digital innovation. Due to the accelerating rate of technology development, adoption, digital innovation and incorporation of customer needs, game-changing opportunities are now being offered for the few supply chains prepared to harness and scale them."

Mike Griswold
VP Analyst

"Keeping pace with innovation in customer experience is a continuous challenge for supply chain leaders. Those failing to recognize supply chain's key role are missing out on potential added value."

Lisa Callinan
VP, Team Manager

Moving From Insight to Action

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The definitive research and advisory resource for supply chain leaders

Gartner supports senior supply chain executives with their most critical priorities. We offer a unique breadth and depth of content to support clients' individual success and deliver on the key initiatives that cover the end-to-end supply chain functions that drive business impact. These key initiatives include:

- Supply chain strategy, leadership and governance
- Supply chain customer fulfillment and collaboration
- Supply chain planning and logistics strategy and operations
- Technology and solutions for supply chain and operations
- Quality management, strategy and leadership

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Explore today's top technology trends to create a competitive advantage

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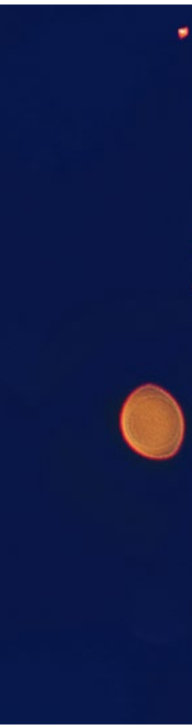


2019-2020 Annual Edition

Top Insights for the C-Suite

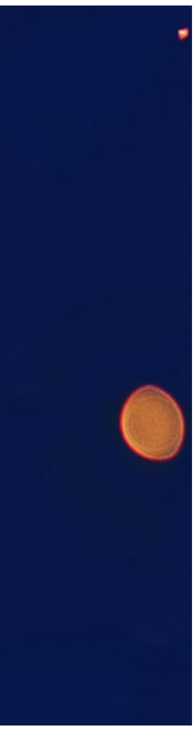
How to Excel at Both Strategy and Execution: A Marketing Perspective

What marketing leaders should know

Given the customer-centric goals of so many organizations, it should come as no surprise that marketing — the de facto voice of the customer — is being tapped to generate new ideas and innovation. It's also no surprise that improved customer experiences tops the list of corporate goals for innovation efforts.

The possibilities for marketing innovation around customer experiences are vast, touching everything from channel interactions, product design, brand development, pricing innovations and more. Marketers today need to understand and embrace the possibilities, while narrowing in on the few high-potential ideas that can really show value for the customer and business, and raise the profile of marketing as a key innovation partner.

Julie Hopkins
Practice Vice President
Gartner Research & Advisory



Marketing

Marketing-led innovation

CHALLENGE

Customer focus is key to driving innovation

Marketers are natural innovators, given their constitutional affinity for creative ideas and imagination. It is therefore no surprise that the vast majority of marketing teams collaborate on organizationwide innovation efforts. Some businesses have even tapped marketing to lead innovation for the entire company.

Marketers have embraced the challenge and are committing financial and talent investments to drive success. Marketing budgets show increased spending on innovation, even in years when budgets have otherwise flattened or declined. That spending trend shows no signs of waning.

91%

of marketing organizations either lead their organization's innovation efforts (29%) or collaborate on it with other functions (62%).

Source: Gartner 2019 CMO Brand Strategy and Innovation Survey

16%

of marketers dedicate their budgets on average to innovation, up from 10% in 2017, a time period when marketing budget growth overall was flat.

Source: Gartner

More than half of all marketing organizations also have dedicated innovation staff. In-house talent works in concert with marketing technology partners and external agencies to form an ecosystem of human resources driving innovation.

All signs suggest that funding and innovation success go hand in hand. Companies that make above-average financial commitments to innovation report higher revenue and profits compared to industry peers. Having dedicated talent on their teams also makes leaders more willing to back high-risk, high-potential return initiatives.

Constraints on innovation

A seat at the table combined with dedicated resources for the job should be all it takes to drive innovation success, yet constraints remain. Marketers say that organizational resistance to risk, an inability to measure the impact of innovation and challenges finding innovation talent limit the impact of their innovation efforts.

These barriers reflect a larger issue of organizational mindset. Innovation by definition brings new concepts that require a leap of faith in untested people and ideas. To truly innovate, leaders need to be willing to fail — because many new ideas will. Most executives understand that in theory, but when faced with a real-world decision to fund a new idea, they balk. The long-standing antagonism between marketing and finance is a particular liability when it comes to marketing strategy execution.

46%

of marketers name organizational risk aversion among their top 3 barriers to innovation. Marketers also struggle to measure the impact of innovation (41%) and often lack talent with the right skills (41%).

Source: Gartner 2019 CMO Brand Strategy and Innovation Survey

16%

of marketing organizations say the finance function is the chief inhibitor of the marketing strategy.

Gartner CMO Spend Survey 2019-2020

GARTNER SOLUTION

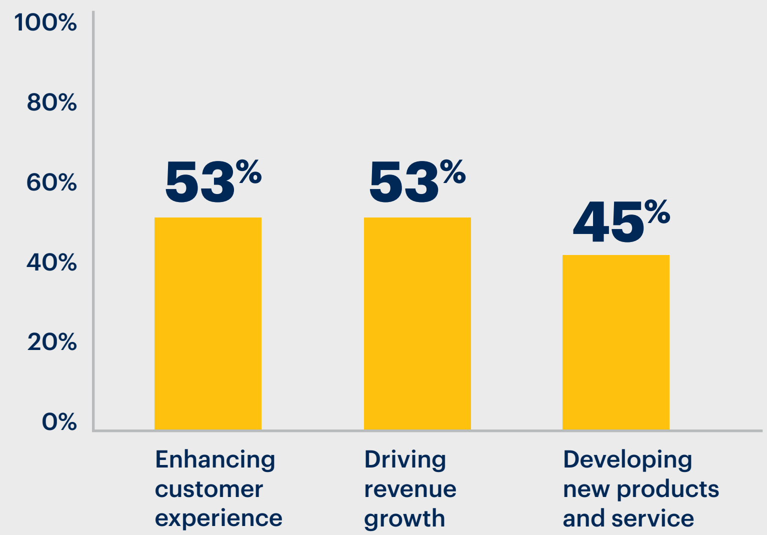
Overcome barriers to innovation

Enhanced customer experience, revenue growth, and developing new products and services rank as the top 3 organizational innovation goals. Marketers can make differentiated contributions in these areas and should align their innovation efforts to them or to whichever specific priorities are important to their organization.

Adopt a staged “crawl, walk, run” approach to mature new ideas. During the crawl phase, marketers conduct research with customers to identify unmet pain points; ideate new ways to solve them; develop a business case for the innovation; and identify possible partners to develop the solution. These early, incremental steps give stakeholders time to acclimate to a new idea, even as marketers continue to validate it. This helps overcome in-house risk aversion to provide the buy-in needed to graduate to first walk and then run.

Top Drivers for Innovation Efforts

Percentage of respondents; sum of top 3 ranked



Source: Gartner 2019 CMO Brand Strategy and Innovation Survey

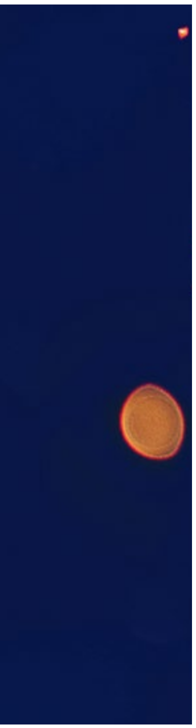
The Gartner Expert View

“CMOs are all-in on innovation. A hefty 16% of marketing budgets are tagged to innovation so marketers are investing very real, substantial money in their innovation initiatives."

Christopher Ross
VP Analyst

“Innovation used to be thrown around as a buzzword, but as CMOs continue to dedicate head count and build strategic partnerships, marketing-led innovation has become a maturing practice driving legitimate growth for the business.”

Elizabeth Shaw
Sr. Director Analyst



Marketing

High-impact customer experience strategy

CX is a top priority — but rarely differentiates

Customer experience (CX) ranks high on the marketing leader's priority list, reflecting the broader embrace of customer centricity in business and the need to drive customer loyalty in increasingly competitive environments.

One illustration of CX's prominence is that most marketing leaders say they compete primarily on it. Their goal isn't to be on par with the competition, but to differentiate from the competition through amazing CX. As a result, most executives see CX innovation as a fundamental requirement.

The problem is that CX covers a lot of territory: Each moment of the end-to-end customer life cycle and every single customer interaction with the company or its products and services. To truly differentiate on the basis of CX, each of these experiences would need to outperform the competition.

Against this seemingly infinite scope, today's CX teams naturally struggle to prioritize their efforts and finite resources. The question is: Where should CX teams focus to drive the largest impact?

63%

of business leaders agree or strongly agree that new and innovative customer experiences (CX) are key to building customer loyalty.

Gartner 2018 Customer Experience Business Partners Survey

47%

of business leaders want to offer better customer experience than the competition, and 38% want to be "world-class."

Gartner 2018 Customer Experience Business Partners Survey

PAIN POINT

CX investments don't deliver results

Most organizations try to "fix" their way to CX success by focusing on improving aspects of the customer experience that they know are broken and generate dissatisfaction.

Conventional wisdom holds that "every interaction matters," so organizations spend a lot of time, effort and money trying to make every element of CX world-class — and, in the process, waste precious resources trying to improve elements of the experience that don't matter to customers or are quickly forgotten.

This "fix-first" approach, while understandable, ultimately fails to deliver on the strategic desire to leverage CX innovation into a differentiated value proposition. It also fails to realize the intended business results. In fact, only a minority of business leaders believe their CX initiatives meet company goals.

Too few organizations recognize that not all experiences matter or know how to prioritize their investments to focus on experiences that have a critical impact on loyalty.

Focus of CX projects

2 out of 3 focus on fixing existing experiences

1 out of 3 focuses on building new, innovative experiences

Gartner 2018 Customer Experience Business Partners Survey

"Most of our company's CX initiatives have produced the intended results."

of business leaders | **of CX leaders**

Gartner 2018 Customer Experience Business Partners Survey

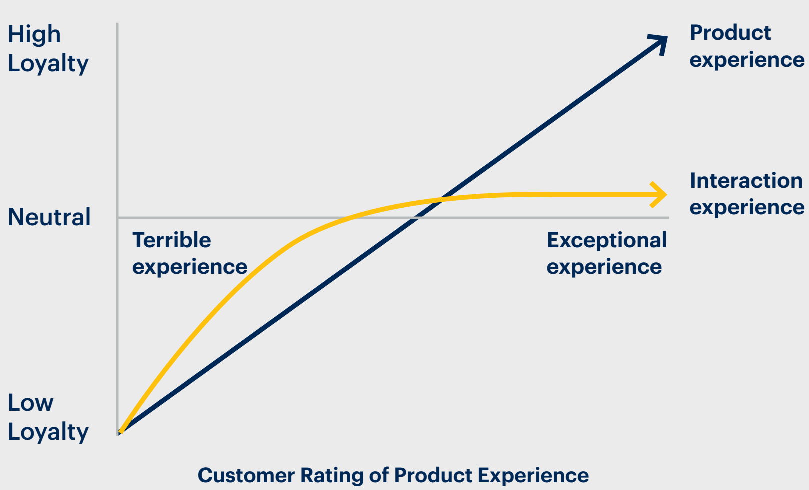
GARTNER SOLUTION

Focus on salient experiences

Gartner research found that a small subset of experiences have an outsize influence on customers' eventual behavior loyalty. These salient experiences stay with customers long after they occur.

A survey of more than 4,000 B2C and B2B customers found that CX factors explained 66% of loyalty, with the remainder driven by brand perception and price considerations.

Impact of Product Experiences on Customer Loyalty



Our attitudinal loyalty index comprises equally weighted likelihood to continue to use, likelihood to consider new offers and likelihood to recommend.
Source: Gartner

The loyalty-related factors were roughly equally split between a) customers' perceptions of the ease, convenience and personalization of their interactions with the company and b) the utility, usability and meaningfulness of their experiences using or owning the product or service.

It is these product experiences that have the strongest impact on customer loyalty, accounting for 36% of a customer's loyalty decisions. But positive product experiences don't just show the customer that the product works; they also produce customer benefits, which validates the customer's decision to buy the product — and makes them more likely to do it again. By contrast, interaction experiences produce diminishing returns once basic needs have been met.

CX teams can and should collaborate with product teams to ensure the product features meet demonstrated customer needs. To produce major loyalty impact from CX, however, look for CX innovation opportunities that enable customers to self-affirm their purchase decisions. Salience comes from creating experiences that help customers feel good about their choices.

Doubling down on salient experiences pays far greater dividends for CX teams than trying to make every element of the customer experience world-class.

The Gartner Expert View

“When you know what to look for in your data, you can identify what is relevant and important to your customers and how to design durable positive memories using our framework for customer self-affirmation.”

Leah Reidy
Sr. Principal, Advisory

“Our research not only showed marketers what to do more of — purposefully design moments that allow customers to self-affirm at key moments — but also how to weed out the nonsalient ‘fixing’ projects that weigh down CX leaders and prevent them from pursuing more innovative projects that differentiate customer experiences.”

Cassandra Nordlund
Director, Advisory

“When organizations strive to compete on CX, their strategies tend to pursue innovation and excellence in every single aspect across the virtually infinite scope of CX. That’s an almost impossible challenge. Accordingly, especially given finite resources and the need to prioritize initiatives, the critical question becomes: Where should CX teams focus to drive the largest impact?”

Geoffrey Campen
VP, Team Manager

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- Benchmarking performance through data-driven insights
- Executing mission-critical priorities with speed and confidence
- Making better decisions to save time and money
- Staying ahead of the trends that matter
- Gaining a competitive edge through unrivaled peer-powered insights

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The Innovation Survey 2019
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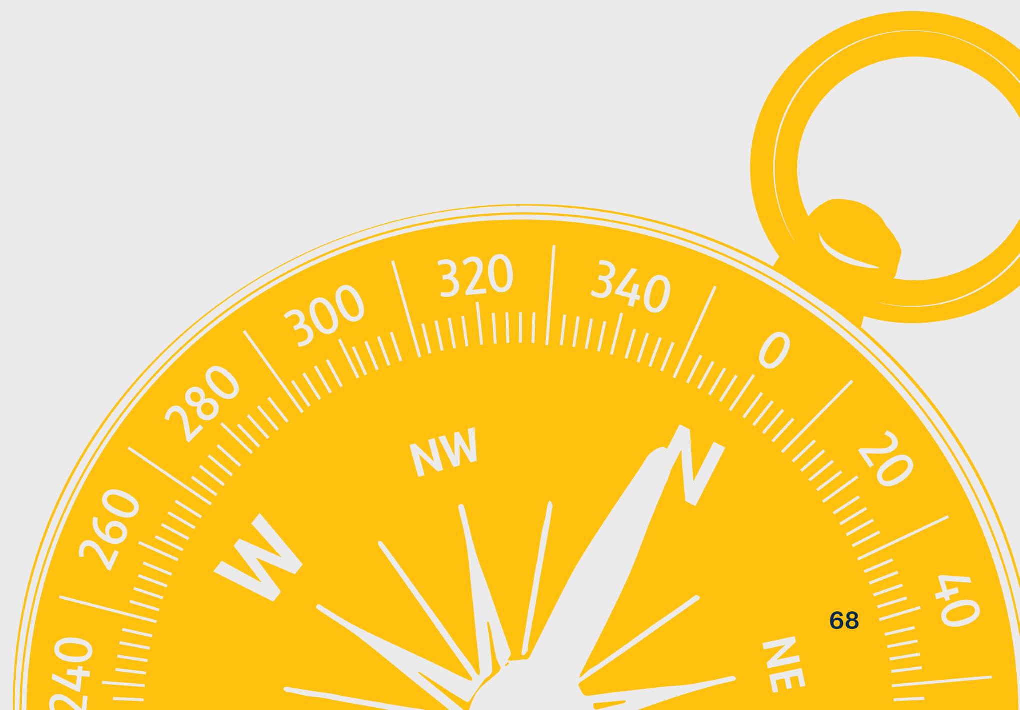
Top Insights for the C-Suite

How to Excel at Both Strategy and Execution: A Customer Service & Support Perspective

What customer service & support leaders should know

The service function is evolving. To drive higher levels of self-service — and significantly lower live contact volume — companies need to take a step back and reexamine how they're investing in self-service capability, and recognize that more isn't always better.

Nick Toman
Group Vice President
Gartner Research & Advisory



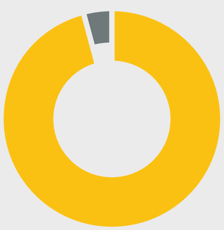
Customer Service & Support

A digital-first customer service organization

CHALLENGE

Service leaders feel pressure to add more channels

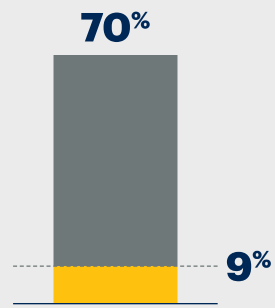
Over the past decade, companies have been investing in multiple digital service channels such as web portals, mobile apps and chatbots, all in an effort to deliver on the perceived preferences that they hear from customers. But to date, few companies are seeing the expected returns of significant reductions in live contact volume and lower cost to serve.



96%

of companies say their primary focus is either adding new channels or integrating those they've added in the past.

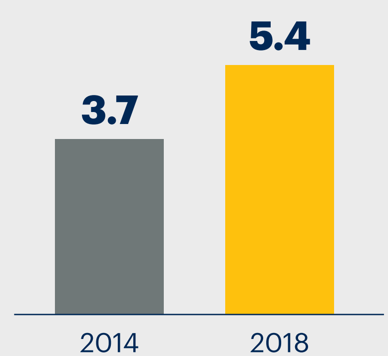
Source: 2019 Gartner Customer Service and Support Leader Poll



Although 70% of customers start their resolution journey in self-service, only 9% are wholly contained there.

Source: 2019 Gartner Customer Service Behavior and Expectations Survey

Further, self-service channels have often been built in silos, and feel more like a "bolt-on" approach than a cohesive strategy designed to deliver a lower-effort, and more cost-effective, customer service experience.



Average Number of Customer Contact Channels Offered

Source: 2014-2019 Gartner Effortless Experience Survey

PAIN POINT

More channels, more cost

Customers (and vendors) have been making noise about preferred channels for service, often leading companies to try to serve these multiple different preferences. Doing so, of course, entails more cost with little savings. While customers use newly offered channels, they also continue to use higher-cost live channels at the same rate they always have.

3.1 / 7+

Customers use 3.1 service channels when companies offer 7 or more options.

Source: 2014-2019 Gartner Effortless Experience Survey

After examining over 8,000 customer journeys, we found most customers are using both live and self-service channels in their attempts to resolve a single issue. Of all customer journeys, 30% begin and end in a live (i.e., agent-assisted) channel. Only 9% are contained (i.e., begin and remain) in self-service. The remaining 61% of customers use self-service channels but travel through at least one live, agent-assisted channel at some point in their journey.

These journeys make managing any service experience more complex and costly.

Live service is 80x more expensive than a self-service interaction.

Source: 2019 Gartner Customer Service Behavior and Expectations Survey

GARTNER SOLUTION

Embrace a digital-first strategy

Gartner research shows that although customers say they prefer certain channels or even a variety of channels, it is resolution, not channel choice, that is paramount to delivering a high-quality service experience.

Winning service organizations, reflecting this reality, dedicate their efforts and resources to building and optimizing self-service capabilities to achieve resolution where feasible.

78% of containment in self-service is driven by just three factors.

Clarity

Create information that is simple and directional

Credibility

Develop content that is relatable and believable

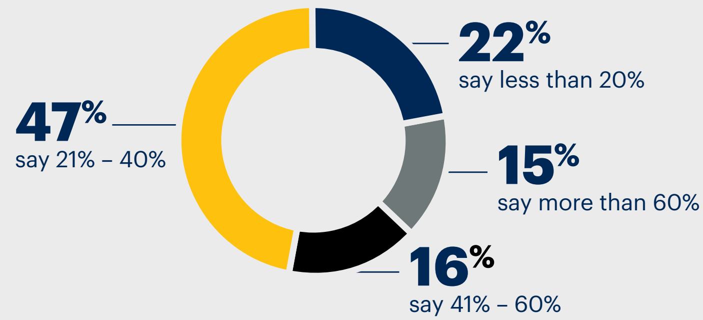
Confirmation

Provide messaging to signal that actions are being taken or are complete

Source: Gartner

How much live volume could be handled in self-service?

% of service leaders



Source: 2018 Gartner Customer Contact Self-Service Capability Poll

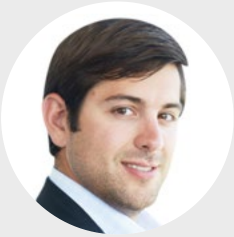
Given the superior economics of digital, self-serve channels — and customers' willingness to use them — service organizations should move aggressively toward a digital-first strategy. Rather than providing self-serve channels as additional choices to customers, leaders need to engineer the service experience to move and keep customers in digital channels.

Doing so requires deliberate migration of issue resolution from live to self-service channels as well as targeted reduction of self-service abandonment. The best service organizations are not only making these moves, but are also fully integrating digital channels in their management and measurement.

The Gartner Expert View

"It's so tempting to add more channels because more is better, right? Wrong. More channels means a worse experience for the customer and a higher cost for us, and that means that we lose. Twice."

Peter Slease
VP, Team Manager



"To succeed going forward, companies need to focus their strategy on helping customers find the most effective channel for resolution."

Devin Poole
Sr. Director, Advisory

"While 70% of customers start their journey in self-service, the large majority of them fail to resolve their issue, creating a much higher cost to serve for the company."

Rick DeLisi
VP, Advisory

Moving From Insight to Action

Gartner for Customer Service & Support Leaders

Discover how Gartner supports heads of customer service & support

Gartner for Customer Service & Support Leaders is the definitive research and advisory resource for service and support decision makers. Gartner equips CSS leaders and their teams to transform their function across a range of key areas, including service and support talent management, service and support planning and operations, customer analytics, VoC and insights.

In addition, Gartner's unique blend of insights, advice and tools support the success of CSS leaders by:

- Maintaining customer loyalty while containing costs
- Optimizing service channel strategy
- Hiring, developing and retaining high-potential frontline staff
- Making smarter digital and technology decisions

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Top Insights for the C-Suite

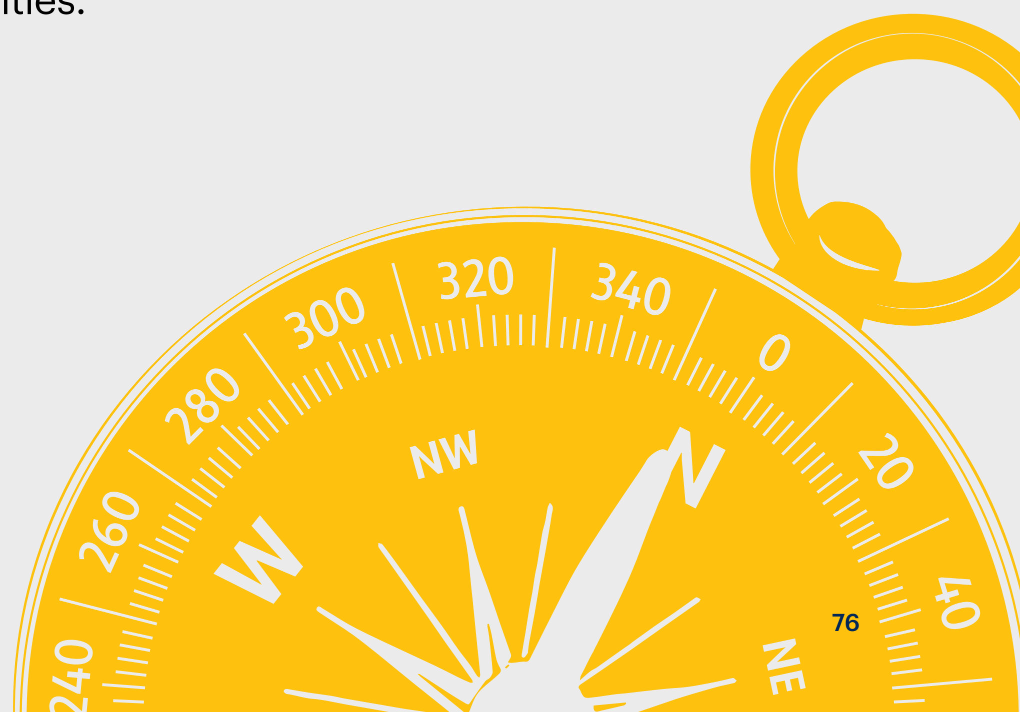
How to Excel at Both Strategy and Execution: A Legal & Compliance Perspective

What legal and compliance leaders should know

Legal and compliance leaders are facing a new and uncertain environment. More than 60% of general counsel (GC) report that they are more frequently providing guidance on unfamiliar risk areas and facing an environment where the organization's risk posture changes frequently. And in that environment, the majority report that business risk tolerance is undefined or unclear.

These challenges are at the heart of our biggest insights for 2020 — how legal and compliance leaders can provide guidance on managing risk while supporting the company's strategic priorities.

Christina Hertzler
Practice Vice President
Gartner Research & Advisory



Legal & Compliance

Teach smart risk taking

CHALLENGE

Uncertain times drive conservatism

Organizations face a macroenvironment characterized by unprecedented levels of uncertainty, and in-house lawyers are too often providing overly conservative guidance at the very time that businesses need to accept more risk to grow.

As the business seeks to expand in areas where risks are less predictable and returns are less certain, in-house lawyers have to provide guidance in new and unfamiliar terrains. But the bets are bigger and the risk appetite is different (or undefined), and few lawyers are comfortable taking risks in the guidance they provide to business decision makers. They respond instead with unduly conservative guidance.

This presents a critical challenge for the GC as executive leader. Many GC work to ensure that in-house lawyers better meet the business's risk-taking needs. They provide top-down messaging on the importance of taking risks, create more workflow capacity for business advice and develop team expertise in new legal risk areas.

But these tactics, while necessary, are insufficient for differentiated performance.

64%

say their departments more frequently need to provide guidance on unfamiliar business opportunities and in unfamiliar risk areas than 12 months ago.

62%

agree their organization's risk exposure is changing more quickly than 12 months ago.

55%

say they more frequently need to provide guidance in areas where the business's risk tolerance is undefined or unclear.

Source: 2019 Gartner Risk-Aligned Legal Guidance Model for General Counsel

PAIN POINT

In-house lawyers play it safe — and that's costly

This is precisely the wrong time for the legal function to be playing it safe. In a late-stage growth cycle, growth is harder to accomplish and CEOs highly prize the first-mover advantage. When guidance is too conservative, business leaders become constrained in their ability to identify, pursue and capture growth opportunities.

Conservatism also drives productivity loss and "drag" within the legal function itself. Lawyers' advice is escalated four times as frequently — bringing in more senior lawyers to advise on the same issues. GC alone spend 20% of their time — one day a week — dealing with escalated requests. With every escalation, the amount of legal time spent on an issue doubles.

Overly conservative advice also drives 4.5 times more internal "forum shopping" by business partners taking their question to multiple lawyers in search of the best answer. This creates a drag on legal time and can generate inconsistent positions on the same issues, undermining the department's credibility.

Business Impact When Legal Guidance Is Too Conservative

Percentage of In-House Lawyers Reporting Each Outcome After Providing Legal Guidance

Source: 2019 Gartner Risk-Aligned Legal Guidance Model for In-House Lawyers

Build risk-advising know-how

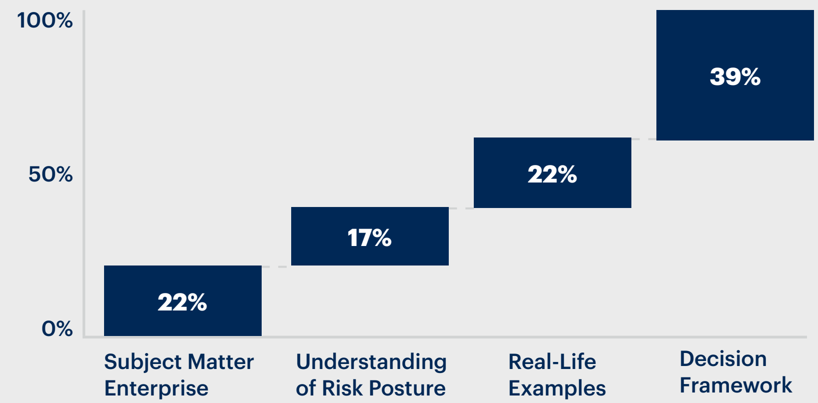
Gartner surveyed over 200 in-house lawyers to understand the drivers of risk-aligned guidance, and found that subject matter expertise is critical — but far from the only factor — in improving the ability of lawyers to provide risk-aligned guidance. The good news is that risk-taking know-how can be cultivated by providing three things:

1. Access to information and experiences that help lawyers to determine the appropriate risk posture to apply when advising on business opportunities
2. Strong, consistent examples of what risk-aligned guidance looks like
3. Frameworks that help lawyers to accurately assess risk and balance it against reward

This approach provides in-house counsel with a transferable set of practical knowledge and skills that, together with subject matter expertise, enables them to provide risk-aligned guidance and be strategic business enablers.

Impact on Risk-Aligned Guidance

Contribution to the Maximum Improvement in Risk-Aligned Guidance



Source: 2019 Gartner Risk-Aligned Legal Guidance Model for In-House Lawyers

The Gartner Expert View

"In-house attorneys can produce guidance on the familiar repeatedly and build up an expertise muscle, which is important for providing risk-adjusted guidance. But it's the know-how of operating in uncertain times that will make the difference between the winners and those businesses that fall short of expectations. Legal leaders must show their attorneys how to take the risks to grow to capitalize on growth expectations."

Atul Dighe
VP, Advisory

"To enable growth in this environment full of gray areas and new opportunities, it's imperative for general counsel and their teams to avoid anchoring decisions based on what's worked in the past. Instead, focus on the socialization of good risk-taking behavior. You can't expect lawyers to proactively adapt — they need to see examples from their peers. Codification is also a huge part of the equation. New risks require clear, consistent guidance to avoid forum shopping and bottlenecks."

Ross Gardiner
Director, Advisory

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In addition, Gartner's unique blend of insights, advice and tools support legal leaders' success by:

- Staying ahead of emerging enterprise risks
- Improving legal operations and department effectiveness
- Developing critical skills and competencies for their staff
- Making smart technology investments

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Make Legal Digital-Ready: Enabling Digital Business While Managing Risk
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Gartner

Legal & Compliance

Improve third-party risk outcomes

CHALLENGE

Third-party risk is a CEO challenge

Twice as many compliance leaders identified third-party risk as a top threat this year. This comes as no surprise, considering the fundamental change in those risks and the ways in which third parties are used.

Today's third parties require more access to an organization's data assets and are increasingly working with their own third parties, multiplying the size and complexity of the third-party network. In fact, in the past four years, legal and compliance leaders have classified 2.5x more third parties as high risk. Managing the risks associated with these networks without hindering business speed is a critical challenge for leaders.

Nearly one in five organizations lacks clarity on the primary owner for third-party risk management.

Source: 2019 Third-Party Risk Management Model

40%

of organizations have not determined clear roles and responsibilities for functional partners.

Source: 2019 Third-Party Risk Management Model

Compliance and legal are the primary owners of third-party risk management in more than half of organizations, but many other functions also have a stake in improving risk management and business outcomes. With growing demand from boards and regulators, CEOs and other C-suite leaders are also feeling urgency to design a program and governance structure.

Our research shows that there is no clear answer as to which function should own third-party risk management. Instead, what drives an outsized impact on risk outcomes is designating one primary owner, regardless of chosen function. But not all organizations have nailed that down.

PAIN POINT

Misplaced effort on risk is costly

As third-party risks continue to grow, CEOs and other C-suite leaders struggle to understand which third-party management practices are most effective for improving risk outcomes. Many leaders spend much of their time and effort focusing on large-scale improvements, evaluating new governance models, assessing ownership and determining optimal technology strategies in pursuit of improved risk outcomes.

If their due diligence processes were streamlined with improved coordination across functions,

51% **of organizations predict they could save 3–4 hours a week, on average.**

18% **say that 5–6 hours could be saved, on average.**

Source: 2019 Gartner Cross-Functional Third-Party Risk Management Model

60%

of organizations participate in regularly auditing high-risk third parties — an activity minimally correlated to improved risk identification.

Source: Gartner

Consider the use of due diligence surveys — a classic example of efforts that are expanding with little payoff. Many organizations require third parties to undergo multiple functional due diligence and risk identification processes. This approach may seem comprehensive and exhaustive, but it produces minimal actionable information and does little to remediate potential risks. It does, however, result in significant time delays and mountains of information that are never used.

One in four organizations reviews less than 60% of the information it collects in due diligence.

Five incremental steps improve risk outcomes

Gartner conducted a study on third-party risk management across 11 corporate functions in 2019. The results offer a prescriptive view of impactful actions to improve third-party risk management outcomes.

Five key choices favor accessible, incremental process changes in current activities over wholesale changes in governance or investments in technology.

1. Designate one primary functional owner for third-party risk management.
2. Determine clear roles and responsibilities for functional partners in third-party risk management.
3. Prioritize the most important risks to review within streamlined due diligence questionnaires.
4. Enhance ongoing monitoring through targeted business partnership activities that expand visibility into changing risk conditions.
5. Monitor risks throughout the third-party relationship based on changes in the scope of the relationship.

Legal teams can use these five insights to inform the framework design and governance of their third-party risk management programs.

Those who work with the business to learn how scope changes might affect third-party risks experience a 36% improvement in risk outcomes.

2019 Gartner Cross-Functional Third-Party Risk Management Model

Educating business partners in managing risks over the course of the third-party relationship offers the strongest impact in remediating risk (79%), but only 21% of organizations strongly agree they are doing this.

Source: 2019 Gartner Cross-Functional Third-Party Risk Management Model

The Gartner Expert View

“While more legal and compliance teams own third-party risk management than ever before, they still spend too much time on the ‘book ends’ of the process — due diligence and recertification. So much of the real risk manifests when there’s a change in strategy, in scope or in personnel during the life of a third-party contract. The trick is to streamline your due diligence and lock down your deal-breaker questions so that you can reinvest the extra time in monitoring and teach your business partners when to escalate issues they spot on the front lines.”

Billy Hughes
Sr. Director, Advisory

“Consider the new ways your own business is using third parties. Increasingly, they’re performing new-in-kind technology or analytics services, providing services outside of the company’s core business model, and are increasingly composed of startups and other business model innovators. These changes demand a fundamentally different approach to risk identification and monitoring.”

Chris Audet
Director, Team Manager

Moving From Insight to Action

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In addition, Gartner's unique blend of insights, advice and tools support the success of compliance leaders by:

- Empowering the business to own compliance risks
- Improving compliance program effectiveness
- Developing critical skills and competencies for their staff
- Building a culture of integrity

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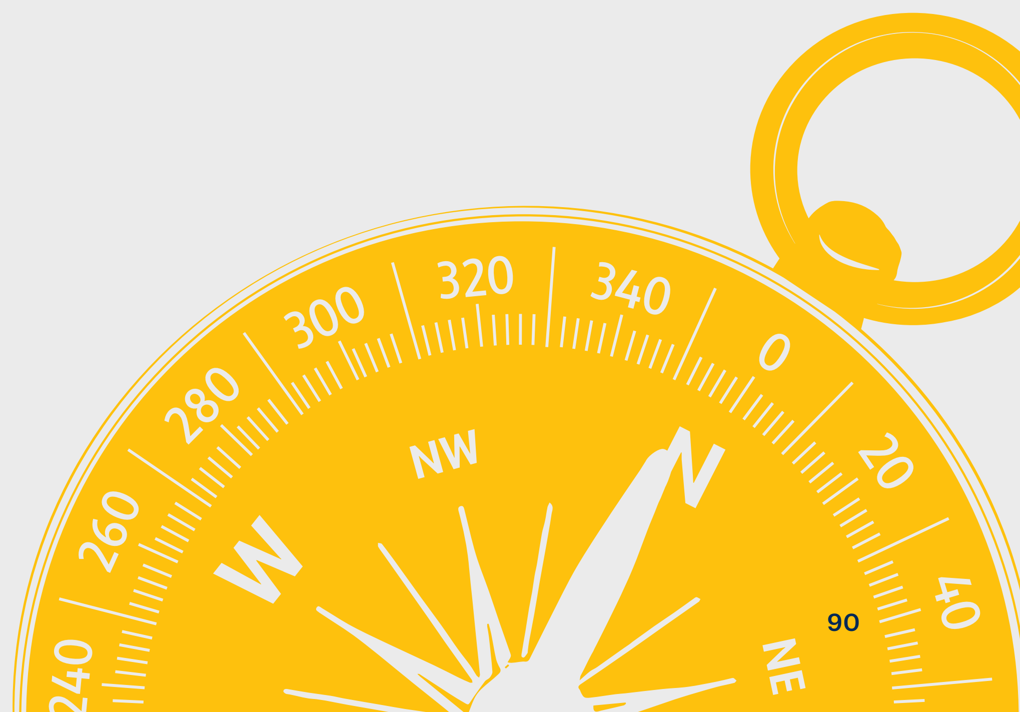
Top Insights for the C-Suite

How to Excel at Both Strategy and Execution: A Risk Perspective

What risk leaders should know

More and more of our clients are telling us that their companies are just too slow and ill-equipped to deal with fast-moving, volatile emerging risks — think single-use plastics, the opioid crisis in the U.S. or employee activism. Enterprise risk management (ERM) can no longer treat emerging risks as future issues — they need to develop new tools to help executives act on these risks now.

Matt Shinkman
Practice Vice President
Gartner Research & Advisory



Risk

Drive faster action on emerging risks

CHALLENGE

"Emerging" label on risk encourages procrastination

ERM teams have long struggled to get their organizations to act quickly on emerging risks, which — by definition — don't have a meaningful immediate impact. Emerging risks also have an uncertain trajectory because their evolution is rapid, nonlinear or both, making it difficult to coalesce a consensus around what action to take. As a result, many such risks are left in "monitoring mode."

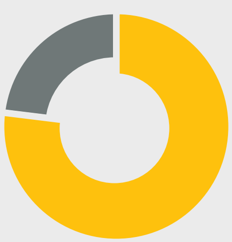
It's admittedly tempting to postpone management of trends as broad and disruptive as climate change or demographic shifts. The perception that emerging risks are big and could hit hard only reinforces the misconception that the response will be complex and costly. As a result, executives postpone a response until the need for action is proven.

90% of ERM leaders say their company needs to act faster to get ahead of emerging risks

Source: 1Q19 Gartner Emerging Risks Webinar Poll

ERM leaders also struggle to clearly convey risk information to key stakeholders as risks become more interconnected and unpredictable. This adds to the paralysis of senior leaders as they try to understand the potential consequences for the business.

Business leaders, though, want more decisive action. They are cognizant of other organizations (or their own) being hit by emerging risks that they could have seen coming. ERM leaders are left between a rock and a hard place: Response planning is taking longer at exactly the time that action is required sooner.



77%

of ERM leaders feel pressure from executives to do more on emerging risk mitigation.

Source: 2019 Gartner Emerging Risks Action Model

73%

of ERM leaders say emerging risks are moving faster than five years ago.

Source: 1Q19 Gartner Emerging Risks Webinar Poll

Driving discussion, but not action

Under pressure to do more, ERM leaders typically try to push harder for quicker action by providing stakeholders with more precise information. But building a better "crystal ball" to predict the timing and size of impact for emerging risks is difficult and often ineffective.

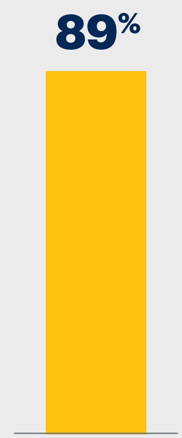
The precision approach assumes that decision makers won't fund risk management initiatives if they can't quantify the risk impact, attach a specific time horizon to the risks or measure emerging risks in a similar way to more established enterprise risks.

But while this approach enables ERM teams to speak in a language that the risk committee already understands, Gartner research shows that it ultimately fails to achieve the outcome ERM teams should want: Building real momentum to tackle the risk.

Just 3% of risk committees are prompted to take action or shift their previously held position after receiving a precise analysis from the ERM team.

Source: 2019 Gartner Emerging Risks Action Model

ERM Believes Precision Drives Action



Believe That Precise Predictions Will Drive Action on Emerging Risks

"We're very focused on getting more reliable data — the key is to present this quantitively to the risk committee."

"What we really need is data analytics to ingest all the information available and give us quantitative metrics on emerging risks."

"We need to be able to determine the time horizon for emerging risks' impact, so we know when to escalate the issue to executives."

"Decision makers won't be comfortable without a quantified impact."

Source: 2019 Gartner Q1 Emerging Risks Survey

GARTNER SOLUTION

Three decisive steps to faster risk mitigation

Gartner research shows that taking an “options-focused” approach, which recognizes that not all emerging risks are theoretical and that some are already impacting the organization, greatly increases the likelihood of near-term executive action.

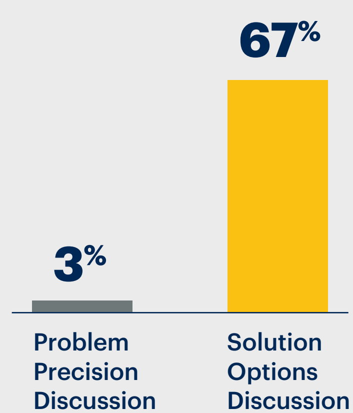
Reframing the emerging risk discussion entails three key steps:

1. **Triage your risk watch list** to separate the risks to watch from the risks to act on immediately. For the urgent subset, present options to the risk committee proportionate to the impact of the risk.
2. **Identify low-cost, low-regret actions.** Offering solutions that require relatively little funding or disruption encourages decision makers to take action knowing that even if the analysis is off, the consequences will be relatively insignificant.
3. **Find credible advocates** among executives across the business who would be held accountable for the impact of potential emerging risks.

In the Solution Options approach, members discuss the following with their risk committee:

- Options available to respond to an emerging risk
- Potential loss of ability to take response options to the emerging risk
- Adjustments to current mitigation activities
- Incorporation of emerging risk information into planning processes
- Scenarios of how the emerging risk could develop

Solution Options Increase the Likelihood of Action



An options-focused approach to emerging risk mitigation leads to a 67% increase in the likelihood of near-term action on executive committee decisions

Source: 2019 Gartner Emerging Risks Action Model

The Gartner Expert View

"With emerging risks moving at a faster pace, it is imperative that ERM leaders are not only skilled at reporting on these risks but also at driving near-term action on the most urgent risks. To do this, ERM leaders must demonstrate concrete, low-cost low-regret options for addressing risk, and challenge executives to consider whether their current plans are sufficient to tackle emerging challenges."

Dan Herd
VP, Team Manager

"Maintaining organizational agility and preserving opportunities for growth starts with ensuring adequate executive attention to emerging risks and the critical steps that can be taken today for maximum impact tomorrow."

Chris Matlock
Sr. Director, Advisory

Moving From Insight to Action

Gartner Risk Management Leadership Council

Discover how Gartner supports risk decision makers

Gartner Risk Management Leadership Council is the definitive research and advisory resource for enterprise risk decision makers. Gartner equips risk leaders and their teams to identify, assess and mitigate emerging risks across a range of key areas, including risk assessment processes and methodologies, risk response strategies and ERM program management.

In addition, Gartner's unique blend of insights, advice and tools support the success of risk leaders by:

- Driving management action with risk reporting
- Aligning enterprise risk to strategic objectives
- Early detection of new and emerging risks
- Building an ERM function

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Risk Reporting That Drives Action
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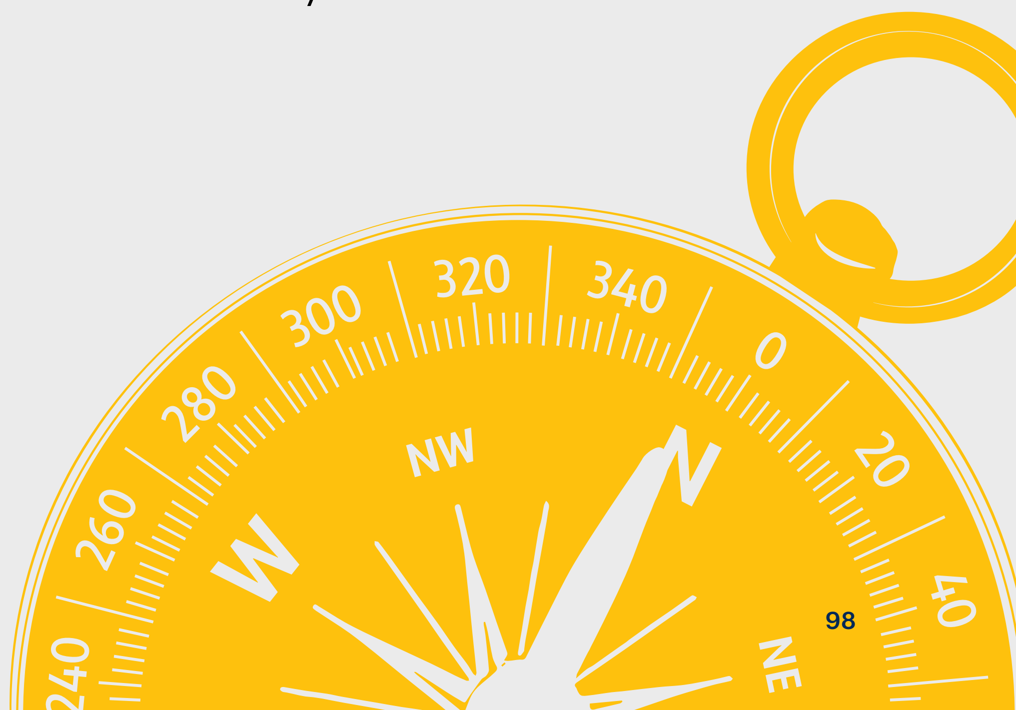
Top Insights for the C-Suite

How to Excel at Both Strategy and Execution: An Audit Perspective

What audit leaders should know

Today’s organizations increasingly process and rely on data to make critical operational and strategic decisions. As business use of data increases, so too do the expectations for audit to incorporate data throughout its work. After many years of slow progress, audit departments have made strides in adopting data analytics. But their effective use requires a paradigm shift in how audit operates — and audit leaders need to rethink their processes to put data at the core of what they do in everything from annual audit planning to hiring. This year’s research provides audit leaders with the tools to do this to ensure their work remains relevant to the board and to the business for years to come.

Malcolm Murray
VP, Team Manager
Gartner Research & Advisory



Audit

Solve the audit skills mismatch

CHALLENGE

Data-driven insights must drive action

Data has become integral to how organizations work, and the business is much more likely to act on internal audit (IA) recommendations that are data-driven and insightful. But unfortunately, investments in analytics to date have been slow to yield expected returns. Audit departments are hiring data specialists, making methodology changes to incorporate data analytics and training their teams. But only 20% report they have achieved the expected level of quality insight from their data-driven work, and only 13% of audit leaders say their team is data-literate.

70%

of chief auditors say businesses are more likely to take action on recommendations based on data-driven insights.

Source: 2019 Gartner Audit Data-Driven Insights Model

It's 4.1x harder to hire an auditor with data skills compared to an auditor in general.

Source: Gartner TalentNeuron™

Without data literacy — which Gartner disaggregates into eight discrete components — audit departments can't properly identify and source relevant organizational datasets, evaluate the quality of a dataset, recognize inappropriate or misleading data use, employ data and visualization to tell a relevant business story, or find innovative ways to leverage data across audit work.

PAIN POINT

Internal audit struggles to deliver quality data insights

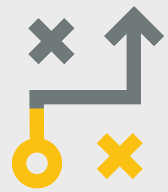
IA teams have delivered a growing quantity of data-driven findings and recommendations, but audit leaders are dissatisfied with the quality. To remain relevant and add value in an agile, data-rich environment, IA teams need to acquire new capabilities to deliver data-driven insights — findings that are material, newsworthy and actionable, not just observations based on data.

Hiring and training auditors for data skills only contributes to 33% of the total potential improvement of data-driven insights.

Source: 2019 Gartner Audit Data-Driven Insights Model

Only 4% of auditors currently employed in large metropolitan areas possess data analysis skills.

Source: Gartner TalentNeuron



Skills change so fast that only 44% of data skills, concepts and processes learned are applied to the job.

Source: Gartner

Audit leaders are turning to hiring and training for data skills, but these solutions are expensive and can take years to yield results. Chief audit executives (CAEs) are frustrated with the lack of progress, but data analytics skills are highly sought, so qualified talent is costly to acquire and keep (existing data-savvy employees are vulnerable to poaching). Attempts to upskill also take time and investment — and rarely keep up with business conditions. For example, most audit leaders further the use of data and analytics by providing user-friendly software and quality datasets — but the benefits of such initiatives are largely maxed out already.

Reallocate data talent and resources

To understand this challenge, Gartner interviewed 78 CAEs from 13 countries and surveyed 119 companies from all industries, geographies and sizes. We found that there is something audit leaders can do right now, with the talent they already have, to increase audit's ability to deliver data-driven insights: They can better allocate data talent resources.

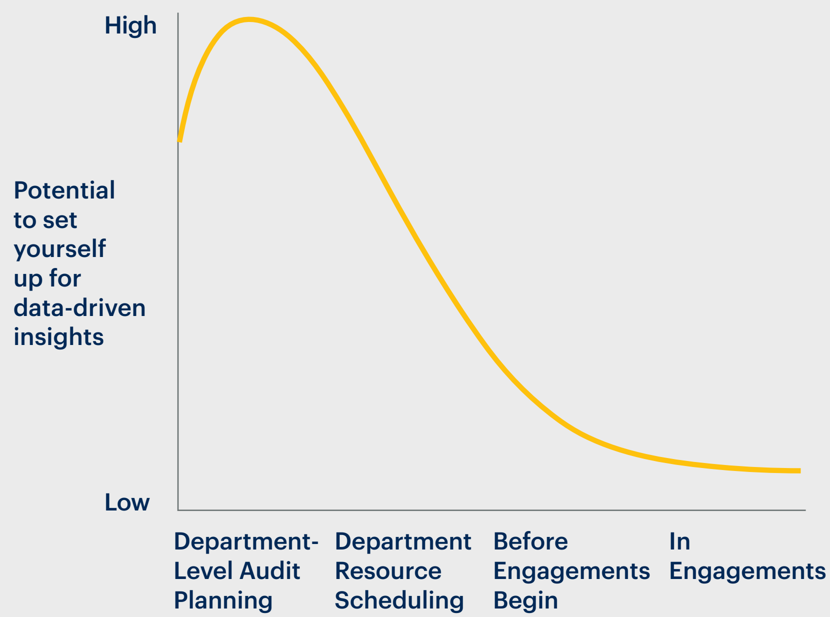
This approach is firmly within their control and — best of all — audit doesn't need to have a large company or budget to effectively allocate its talent. Audit leaders need to take three steps:

1. Evaluate what datasets exist that could be used to drive insights — and pull forward that evaluation to the audit planning stage, rather than wait until the plan has been set. This forethought is a basic tactic that only 9% of audit departments are now using.

2. Identify, allocate and exploit the scarce data capabilities that already exist in the audit function. This elevates the department's everyday level of competency while longer-term hiring and training solutions take effect.

3. Make sure that in unlocking hidden data literacy in existing audit staff, leaders free up and reallocate scarce specialist data resources to more advanced data work beyond audit engagements.

Time Horizon for Identifying Data Opportunities
Illustrative



Source: Gartner

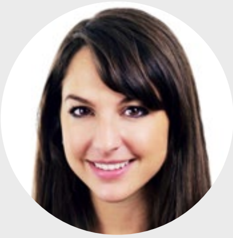
The Gartner Expert View

“Audit leaders can now pursue innovative yet practical tactics to bring data into audit plans — build an ‘audit inbox,’ push auditors’ comfort zones in using data and free up specialist time to develop bots that extend audit into new areas.”

Ian Beale
VP, Advisory

“Heads of audit once didn’t know what to look for in their next new hire, and didn’t know what to focus their training on to get their team working toward data-driven insight. Now, there’s a recipe that consists of the eight components of data literacy for audit.”

Jim Fitzmaurice
VP, Advisory



“Defining data literacy more clearly — the specific, data-related activities that your audit staff could and should conduct — will help the audit team do far more with data.”

Tegan Gebert
Sr. Director, Advisory

Moving From Insight to Action

Gartner Audit Leadership Council

Discover how Gartner supports chief audit executives

Gartner's Audit Leadership Council is the definitive research and advisory resource for internal audit decision makers. Gartner equips CAEs and their teams to transform their function across a range of key areas, including audit methodology and engagement, risk coverage, and audit function strategy and management.

In addition, Gartner's unique blend of insights, advice and tools support the success of audit leaders by:

- Building a more risk-responsive audit function
- Collaborating with risk and control groups
- Improving stakeholder communication
- Advancing data and analytics capabilities

Learn more

Getting Audit Teams to Data-Driven Insights
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Top Insights for the C-Suite

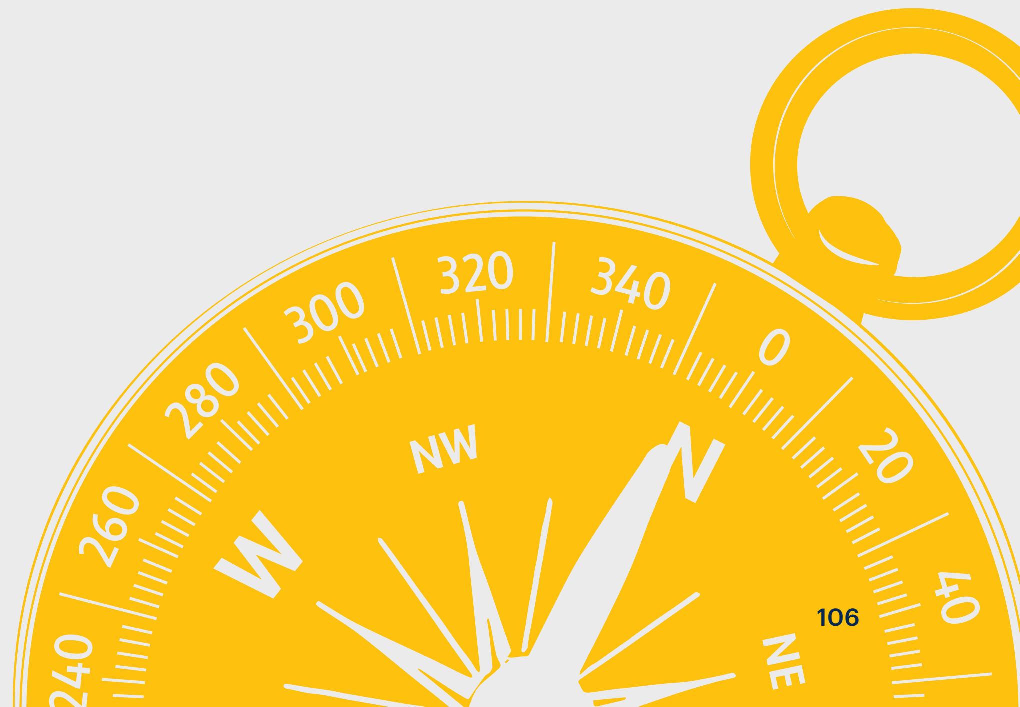
How to Excel at Both Strategy and Execution: A Communications Perspective

What communications leaders should know

Faced with the changing expectations of their stakeholders, businesses are under increasing pressure to take a position on social and political issues. However, communications leaders can be reluctant to engage with controversial topics, fearing a negative backlash from their employees, customers and investors.

But by choosing the right issues and engaging in a way that's authentic to their values, companies are far more likely to see a positive response to speaking out.

Elizabeth Barrett
Vice President, Team Manager
Gartner Research & Advisory



Communications

Engage productively on contentious social issues

Organizations are expected to speak up

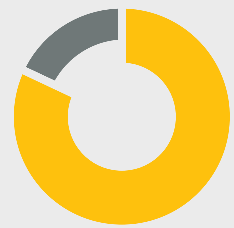
Organizational stakeholders, including employees, customers and investors, increasingly expect organizations to take a stand on contentious social or political issues. Nearly half of these stakeholders also expect companies to take a public position on such issues regardless of their relevance to corporate objectives.

This pressure to comment isn't just coming from activists or special interest groups, either. Gartner found that of those who responded to a company's public position, over one-third were taking action for the first time. These "first-timers" aren't the same as the activists who many companies have been dealing with for years. They represent a shift in stakeholder mindsets.

87%

of employees expect companies to take a public position on social issues relevant to their business.

Source: 2018 Gartner Optimizing Communications for Changing Stakeholder Expectations Survey



82%

of millennials who saw a company engage with a contentious issue responded in some manner.

Source: 2018 Gartner Optimizing Communications for Changing Stakeholder Expectations Survey

New audiences taking action further indicate that social pressure to comment is very likely to continue to rise in the years ahead, with responses coming from younger stakeholders.

Millennials, now the largest demographic group on the globe, are entering "the most important age range for economic activity," making it harder for companies to continue ignoring calls to engage with societal issues.

However, in an increasingly polarized world, many companies steer clear of controversial issues. Although this trend is beginning to change, exemplified by Iceland Foods' palm oil stance or the Nike campaign supporting Colin Kaepernick against social inequality, the fear of damaging brand reputation and audiences bombarding an organization with negative comments is shared by many communicators.

PAIN POINT

A lose-lose proposition

Deciding whether to take a stand on a societal issue requires a new calculus. The circumstances differ from both traditional issue management and crisis management. Societal issues are numerous, often emotional and hard to anticipate. Many people within the organization want a say, and decision rights are unclear. Internal and external “noise” doesn’t accurately reflect the degree or intensity of opinion.

Ultimately, taking a stand on a polarizing issue can appear like a lose-lose proposition in terms of the impact on organizational reputation. Communications executives struggle to make decisions when it’s likely that speaking up will provoke both supporters and detractors of the response, but staying silent could also be interpreted as tacit agreement with either side. All these factors make it difficult for communications teams to make decisions about when and how to take a stand on an issue.

57%

of communicators feel that “protecting their reputation in the face of polarizing issues” is of the utmost urgency.

Source: 2019 Gartner Communications Agenda Poll

26%

Only 26% of communicators report confidence in their ability to manage contentious issues that impact their organization.

Source: 2019 Gartner Communications Agenda Poll

GARTNER SOLUTION

Capture the upside through informed decision making

Gartner research indicates that stakeholder response to organizational involvement in societal issues is overwhelmingly positive.

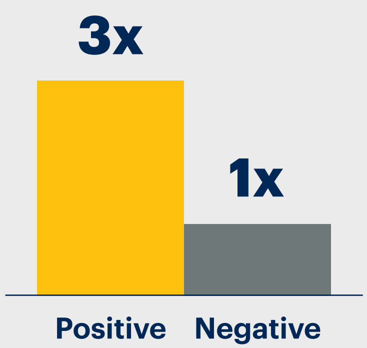
The positive nature of audience responses suggests that organizations should be making decisions based on an upside pursuit, choosing when to get involved based on an understanding of when potential positive responses outweigh negative ones. Given this, the ability of organizations to understand the likely nature of response is crucial. Communications leaders should adopt a systematic approach to guiding their organization's involvement in societal issues, and incorporate the following into their decision making:

- Predetermined engagement criteria that help decision makers reach consensus and defend decisions
- A "north star" that guides organizational involvement to align with a higher intent
- Audience knowledge that helps the organization make informed trade-offs

67%

of stakeholders who recalled seeing a company action or statement did something in response. Those responses — new behaviors prompted by the company statement or action — ranged from customer purchases to employment decisions.

Source: 2018 Gartner Optimizing Communications for Changing Stakeholder Expectations Survey



Positive responses, such as applying for jobs or increasing spend with a company, outweighed negative ones by a factor of three.

Source: 2018 Gartner Optimizing Communications for Changing Stakeholder Expectations Survey

The Gartner Expert View

"Stakeholders are increasingly expecting companies to get involved in societal issues. In response, more and more are voicing their opinions on controversial topics and through multiple channels — from press releases and CEO tweets to advertisements and government lobbying — all of which are undertaken both proactively and in reaction to events."

Patryck Allen
Director, Advisory

"Communications leaders are understandably cautious about taking a stand on contentious issues. However, staying silent on an issue can also risk alienating those who believe a 'no comment' position is tacit approval of the societal issue in question, whereas speaking out is more likely to have a positive impact on things such as employee engagement and buying decisions."

Dean Vitté
Director, Advisory

"The most surprising discovery in this research is the disproportionately positive response from audiences when they see a company taking a stand. The data shows that improved opinions of the company outnumber negative reactions by roughly 6 to 1. Potentially even more impressive than the attitudinal improvement is the positive impact on behavior in crucial areas like customers buying more and employees recommending the company."

Karl Schmidt
Practice Vice President

Moving From Insight to Action

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In addition, Gartner's unique blend of insights, advice and tools support the success of communications leaders by improving:

- Strategic communications planning
- Employee and executive communications
- Brand and reputation management
- Change communications

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Top Insights for the C-Suite

How to Excel at Both Strategy and Execution: A Human Resources Perspective

What HR leaders should know

There are millions of people managers in the world today — diverse individuals working in different sectors and industries around the globe with one commonality: Each must drive outcomes with and through others.

Those who are managing people are trying hard to help develop their direct reports — often using the kind of continuous coaching and feedback that their organization advocates. But these efforts are failing; in fact, they can actually degrade employee performance and engagement. Gartner research shows that Connector managers, by contrast, can boost both employee and team performance by diagnosing employees' real development needs and connecting them with the right coaching support.

Employees are themselves increasingly expecting a more productive experience at work. They want their experiences with tools and services at work to mirror those outside the workplace, and HR functions are investing heavily to meet those expectations. But this traditional investment approach isn't doing enough to deliver experiences that engage and retain employees. Instead, HR must shape employees' expectations, empower staff to personalize their own day-to-day experience and manage how employees perceive their experience at work.

Jaime Roca
Sr. Vice President
Gartner Research & Advisory

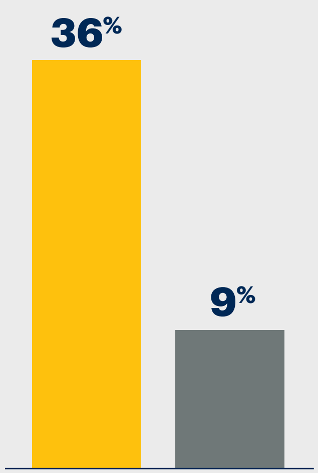
Human Resources

The Connector manager performance advantage

A manager coaching crisis

The world's 160 million managers have one thing in common: They must drive outcomes with and through others. To ensure their teams are able to deliver the right outcomes, managers are expected to provide coaching and feedback to develop their direct reports' abilities.

But there's a mismatch between HR's expectations around managers' involvement in employee development and the reality, with HR leaders expecting managers to spend far more time than they actually do on employee development.



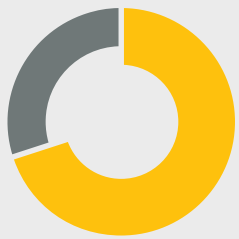
36%

Percentage of time HR thinks managers should spend developing their direct reports

9%

Percentage of time managers actually spend developing direct reports

Source: Gartner



70%

More than 70% of HR executives believe that managers should get more involved in coaching employees compared to three years ago.

Source: Gartner

For many organizations, the natural response is to encourage managers to provide more coaching and feedback. But between these heightened expectations, widening spans of control and an ever-changing work environment, managers are undergoing a crisis of confidence — unsure of their ability to help employees develop the skills they need today.

To make sure employees get the development support they need from their managers, many organizations are promoting continuous coaching and feedback initiatives. But how well do these initiatives work in practice?

PAIN POINT

Continuous coaching and feedback degrades performance

We surveyed over 7,000 employees and managers to find out what the best managers are doing to develop employees today. As we analyzed the data and identified four distinct manager approaches, the findings were surprising: The manager approach that most organizations were encouraging, based on continuous coaching and feedback, was failing.

Continuous coaching and feedback initiatives encourage managers to provide more frequent coaching and feedback to develop employees on a breadth of skills. We refer to this manager approach as the “Always-On” style.

Always-On managers degrade employee performance by up to 8%.

Source: Gartner

Bad managers can cost the average organization $35 million in lost retention costs alone.

Source: Gartner

Instead of helping their employees develop, Always-On managers can actually degrade employee performance. The approach can be disabling for employees, providing them with too much, or even irrelevant, feedback.

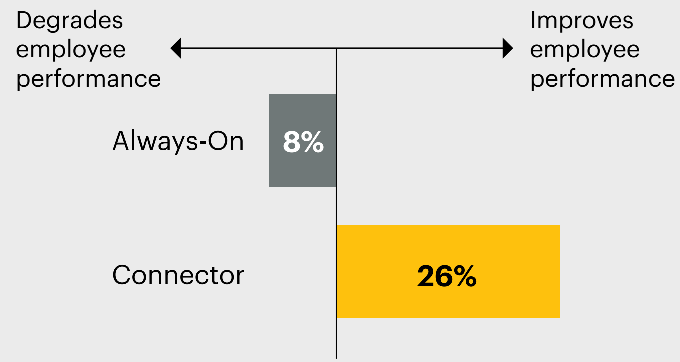
The reality is that more time spent coaching has no impact on employee performance. What’s important is spending that coaching time in the right way. So what’s the better management approach?

One coaching approach clearly wins: The Connector manager

Our research finds that one type of manager outperforms the others — the Connector manager. Importantly, Connector managers don't spend more time coaching than other types — they just prioritize their coaching time differently.

When coaching employees, Connector managers make three connections that aid employees' development:

1. **The employee connection** — Connector managers really get to know their employees to adapt their coaching to employees' individual development needs.
2. **The team connection** — Connector managers make development a team sport and connect team members for skill sharing and peer development.
3. **The organization connection** — Connector managers refer employees to the right development coaches at the right time.



Connector managers:

Triple the likelihood that their employees are high performers

Can improve employee engagement by 40%

Source: Gartner

The Gartner Expert View

One of our clients had a growing number of leaders in the organization with little coaching experience. They were able to use our data and Connector insights to build the business case to their leadership team for adopting the Connector approach. Using the Connector manager framework, they had a C-level leader co-present the Connector insights with our advisor. The session was recorded and shared with over 2,500 associates.

Another client was tasked with putting together a three-year strategic roadmap for manager effectiveness. The company had recently reorganized to provide more support to employees and wanted managers to live out their values. The L&D leader and her team built out a manager academy using our three Connector manager connections to drive performance. We identified changes needed to current programs, specific skills to develop and which group of managers should pilot the program.

In one case, we were working with a client who had recently implemented a continuous feedback initiative at their organization. After learning about our Connector manager research, the client decided to change their approach and teach managers how to follow the Connector manager framework. The client was able to use our insights to build training for managers on avoiding the Always-On approach and instead using a Connector approach with their teams.

Sari Wilde
Managing Vice President

Human Resources

Increase the return on your employee experience strategy

CHALLENGE

Employees are broadly dissatisfied with experience

Employee experience continues to be a top priority for HR leaders, but few employees (13%) agree that their employee experience fully meets their expectations.

Employee experience touches employees in many ways, all related to how they internalize and interpret the interactions they have with and within their organization and the contexts that influence those interactions. Today's digital world compounds the risk of getting employee experience wrong. Employees are now more willing to share negative workplace experiences with the public, and they increasingly expect the quality of their experience at work to match their ever-improving experiences as consumers.

13%

Only 13% of employees agree that their employee experience fully meets their expectations.

Source: 2019 Gartner Modern Employee Experience Workforce Survey

56%

of employees agree they expect to have the same quality experience at work as they do as a consumer.

Source: 2019 Gartner Modern Employee Experience Workforce Survey

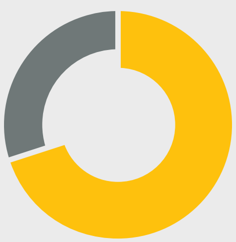
As one CHRO recently shared: "We want to create an experience that reminds employees of their consumer experiences. We want it to be described as easy, personalized, seamless, consistent, empowering."

Our research finds that if HR leaders don't improve their employee experience, they won't see the business and talent outcomes they want — and need.

PAIN POINT

Experience investments alone don’t work

Given how few employees are fully satisfied with their experiences, organizations are devoting significant time and financial investment to improvements. Many organizations are investing through the expansion of available programs, support and “consumer-grade” standard improvements. Most organizations have made moderate to very large changes to their HR initiatives as a part of their employee experience strategy, resulting in substantial investments per employee.



69%

of HR leaders have made moderate to very large changes to HR initiatives as a part of their employee experience strategy.

Source: 2019 Gartner Modern Employee Experience HR Leader Survey

Despite marginal improvements in experience with this investment approach, the gains are not sustainable. In just two years, an organization would need to spend 82% more to achieve the same level of improvement in employee experience satisfaction that they achieve today.

On average, organizations spend $2,420 per employee per year on employee experience initiatives.

Source: Gartner

GARTNER SOLUTION

Shape how employees feel about the experience

Shaping how employees feel about their experience results in better outcomes than simply investing in the experience alone. Organizations that shape how employees feel about their experience do so by using psychological, motivational and social principles to influence and improve employees' feelings about their overall experience.

At organizations that effectively apply the shaping approach, employees are:

38% more likely to report high intent to stay

33% more likely to report high discretionary effort

44% more likely to be high performers

Source: 2019 Gartner Modern Employee Experience Workforce Survey

HR leaders find shaping less costly over time than investing. Each year, organizations that use a shaping approach will have largely satisfied 32% more employees at a 32% lower cost relative to those using an investment approach.

Our research shows HR leaders can shape how employees feel about their experience in three ways:

1. **Shaping expectations** for the experience by calibrating employees' expectations for their experience
2. **Shaping the day-to-day experience** by empowering employees to personalize their day-to-day experiences
3. **Shaping the memory of the experience** by managing the memory of the employee experience over time

The Gartner Expert View

With low unemployment rates and a highly competitive talent market, the labor market is red-hot. We've seen this increase the urgency for making the right investments in the employee experience. Yet HR executives can't just buy their way into a solution. If HR executives aren't dealing with how employees feel about their experience, these investments will never succeed.

One government organization implemented a shaping approach by sharing all of the experience improvements it had made to guide employees to recall how these improvements impacted them personally. Employees then shared their stories within their networks and throughout the broader organization so others could see the impact each experience had on their peers. This approach helped HR executives reinforce the positive experiences so they became lasting employee memories.

Brian Kropp
Distinguished VP

Moving From Insight to Action

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- Diagnose current state and prioritize resources with objective assessments and benchmarks
- Make informed decisions and set plans with best-practice research, trends and expert advice
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Download 3 things Connector managers do to improve employee performance
While most organizations want their managers to be always on, this approach does more harm than good. Learn why.

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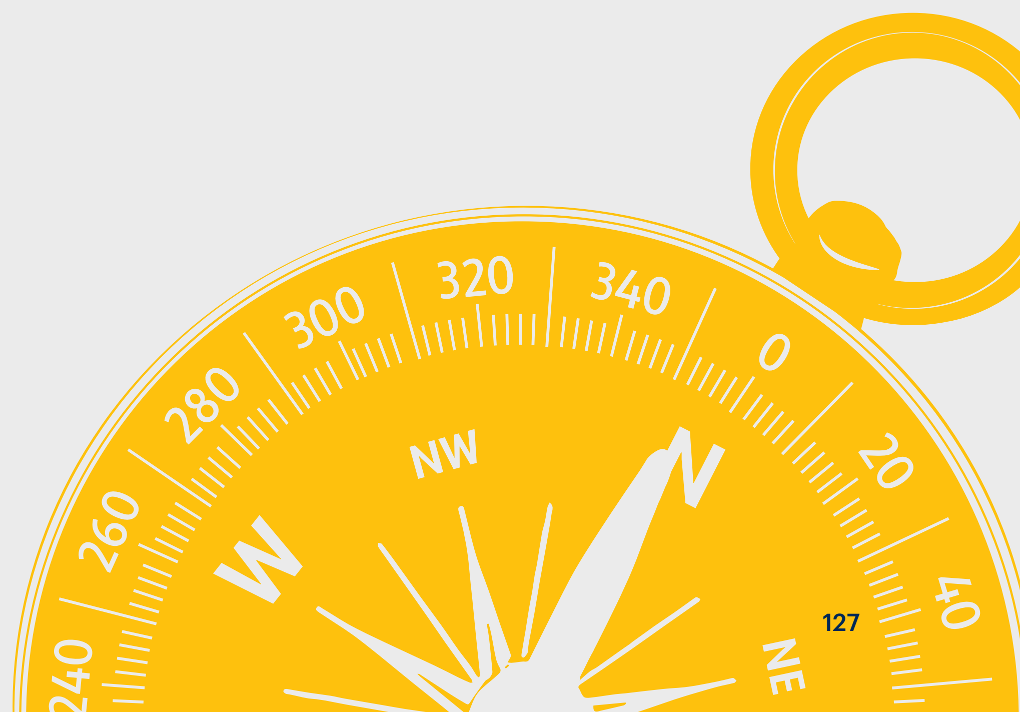
Top Insights for the C-Suite

How to Excel at Both Strategy and Execution: A Sales Perspective

What sales leaders should know

In today’s buying environment, the amount of quality information available to customers far exceeds their capacity to consume it. Because of this, customers need sellers who can help them navigate the information landscape to find the answers they need to make better decisions. Sellers who adopt a Sense Making approach to information increase the chances of closing high-quality, low-regret deals by connecting customers to relevant resources, clarifying information complexity and collaborating in customer learning. Chief sales officers should work to embed Sense Making in their hiring, training and enablement strategies.

Nick Toman
Group Vice President
Gartner Research & Advisory



Sales

High-performing sales approach for the information era

CHALLENGE

B2B customers are overwhelmed with high-quality information

Modern B2B buyers overwhelmingly indicate that the information they encounter during their purchase processes is of high quality. Because customers already have access to mostly high-quality information, suppliers cannot reliably differentiate themselves through increased investment in information alone. High-quality information may be essential to any purchase decision, but it may no longer be enough to differentiate one supplier from another.

B2B buyers spend, on average, 15% of their buying time simply trying to navigate and reconcile information from a variety of sources.

Source: 2019 Gartner Buyer Survey

An abundance of quality information not only makes it difficult for suppliers to differentiate themselves, it also makes it difficult for customers to make decisions. As customers encounter quality information, they face several challenges. They may find information from several sources that, while seemingly credible, contradicts other sources.

When several sources of trustworthy information appear to contradict one another, the customer may struggle to reconcile these contradictions or even compare one supplier's offering to another. B2B buyers spend critical portions of their buying time simply trying to navigate and reconcile information from a variety of sources.

50%

of B2B buyers found the amount of trustworthy information overwhelming.

Source: 2019 Gartner Buyer Survey

44%

of B2B buyers said information from suppliers seemed trustworthy but was contradictory.

Source: 2019 Gartner Buyer Survey

PAIN POINT

Information overload stymies B2B purchases

A customer's relationship with information throughout the buying journey affects the solution they settle for, as well as their post-purchase sentiment toward that solution. To measure the effect of information on deal outcome, we use the term high-quality, low-regret deal to mean a customer chose an ambitious or premium offering and did not regret the purchase afterward.

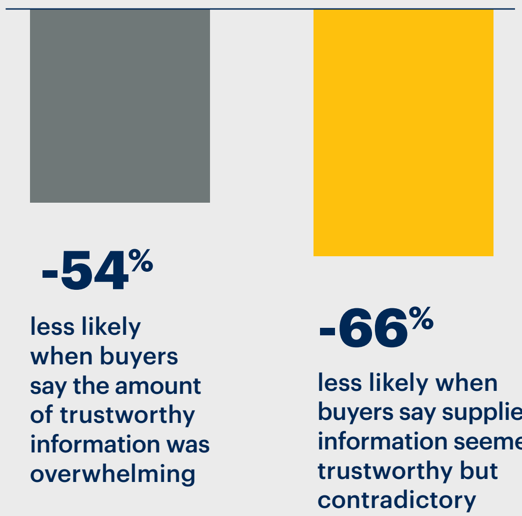
If customers struggle to make informed trade-offs between vendors, they are 33% less likely to buy a high-quality, low-regret solution.

Source: Gartner

When customers encounter an overwhelming amount of trustworthy information, they are 54% less likely to choose a high-quality, low-regret deal. On occasions when the information provided by suppliers appeared trustworthy but was contradictory, customers are 66% less likely to buy a high-quality, low-regret solution.

If they struggle to make informed trade-offs between vendors, they are 33% less likely. To make matters worse, these negative effects are cumulative, meaning if a customer experiences these three information attributes at once, they are 153% less likely to choose a high-quality, low-regret deal.

Impact on closing a high-quality, low-regret deal



Source: 2019 Gartner Buyer Survey

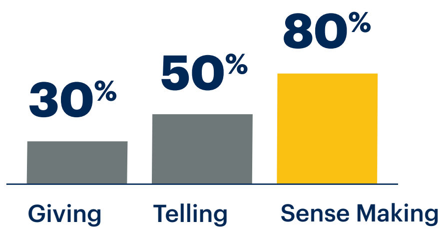
GARTNER SOLUTION

Sense Making is the winning approach

To help boost customer confidence and reduce skepticism, sellers should adopt what Gartner calls a "Sense Making" approach. Rather than overwhelm customers with information, Sense Making helps customers evaluate information so they can prioritize the various information, quantify trade-offs and reconcile conflicting information.

Sellers who use the Sense Making approach are more effective at lowering customer skepticism, as well as building confidence. They acknowledge the existence of competing solutions in the marketplace and an overwhelming amount of information about each of these solutions. These sellers are careful about adding more information to this ecosystem and avoid simply telling customers what to think about their options.

In a world where the primary obstacle to commercial success is less about sellers' struggle to sell and more about customers' inability to buy, Sense Making has the greatest commercial impact.



Out of 10 completed deals, eight were high-quality, low-regret when the sales rep used a Sense Making approach, compared to five when "telling" and three when "giving" information.

Source: 2019 Gartner Buyer Survey

Giving

Reps follow the maxim that more is better. They tend to be responsive and comprehensive in the information they provide.

Source: Gartner

Telling

Reps are very forward in providing information and sharing opinions, stories and anecdotes.

Sense Making

Reps carefully share information to guide customers toward a clearer, more rationalized view. They help the customer make sense of and take action on the basis of the information they've encountered.

The Gartner Expert View

"Sellers need to boost customers' confidence in their own purchase decisions, not in suppliers' capabilities."

Cristina Gomez
Managing VP

"Buyers reward help from sellers in making purchase decisions, but they need to feel some sense of control at the same time."

Scott Collins
VP, Team Manager

"Don't push even more information on your customers — help them make sense of existing information."

Brent Adamson
Distinguished VP, Advisory

Moving From Insight to Action

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- Unlocking existing account growth potential
- Developing critical seller and manager skills
- Making smarter enablement, digital and technology decisions

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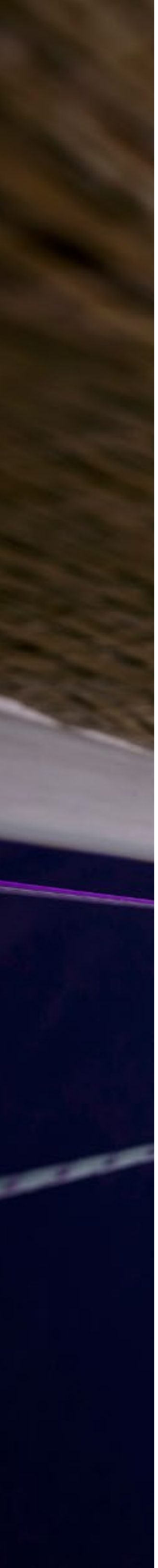

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