

LEADING WITH PURPOSE IN A COVID-19 WORLD

8 QUESTIONS LEADERS NEED TO ALIGN TO, AND AGREE UPON, TO MOVE FORWARD

Moore/Henrys



In times B.C. (that's Before Coronavirus), businesses, in general, were busy setting forth their plans for transformation. Executives around the world were leading their companies on a digital journey as fast as mindsets, budgets and a willingness to take risks could carry them. People were doing their level best to innovate, with velocity and at scale, when out of the blue... WHACK!

As Mike Tyson famously said, "Everybody has a plan until they get punched in the mouth". Well, we all just got collectively punched in the mouth by an invisible enemy that no-one saw coming, and that no-one had planned for. As the economic shock waves ripple out, and our daily behaviours and routines change through necessity, the affect has been to turn the "VUCA dial" up to 11 (for those unfamiliar with the term, VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity).

We're left wondering if a post-lockdown recovery will be V-shaped, U-shaped, depressingly L-shaped, or as some economists optimistically predict, T-shaped. Meanwhile, businesses are

grappling with how to keep the workforce safe whilst keeping supply chains flowing, as they simultaneously try to figure out how to respond to consumer needs and behaviours that may have changed forever. Indeed, many are simply trying to work out how to secure enough liquidity to stay afloat for the next quarter.

So... what of those multi-year plans painstakingly crafted around digital transformation? Are they defunct? Do businesses even care anymore? In other words, in the COVID-19 world, are businesses so consumed with day-to-day survival that this "Digital thing" becomes irrelevant to them?

Our view is that the rules for success have changed meaning digital actually becomes **more** important, not less. It's essential to survive, and its essential to thrive. The pandemic is one of the biggest inflection points of our time, and as a result we think we'll see a shift from the B.C. (Before Coronavirus) world, to a new A.D. (Advancing Digital) world.

Now, as we mentioned above, digital transformation isn't a new endeavour for business, and even though there's been **\$11tn in global stimulus thus far pledged by governments** around the world, a rather sobering statistic is that **only 5% of digital transformation efforts have historically met or exceed expectations**. However, in the wake of COVID-19 we see a golden (and shared) opportunity for leaders to advance a new trajectory for digital that aligns with the need for business to be a powerful enabler of a new 'engine of productivity' creating long-term economic value.

In a previous blog, [‘It’s not necessary to change, because survival isn’t mandatory’](#), (titled after a quote by the noted professor and advisor W. Edwards Deming) we reflected on how this soundbite from the 1980’s is as true today as it was then.

To wit: the reward for those that can transform successfully (the 5%!) is huge, but success is dependent on leaders doing more than simply dusting off the best practices of yesteryear, hoping that a ‘rinse and repeat’ will do the job. To put it bluntly, that’s merely a form of proximity bias, not a transformation strategy. At best it’s digital pantomime, and at worst it’s an exit strategy. **Transformation isn’t about trying to do the same things better, it’s about doing better things.**

Acknowledging this is one thing. Operationalizing it ahead of the market is another. As such, we’re often asked where to start. Below you’ll find 8 questions leadership teams need to align to, and agree upon, to move forward. Each have implications and interdependencies. They will doubtless expose vulnerabilities, risks, and may cause leaders to feel a sense of loss of control, but without embracing (vs resisting) them, you’ll have that famous quote from Albert Einstein ringing in your ears for years to come!

1. How well does the executive suite really understand key technology transitions and their implications? No-one is expecting business executives to become proxy-CTO’s, however, it’s crucial for leaders to have a clear working knowledge of what’s really transforming the world, and its implications for the business. This goes beyond understanding the immediate advancements in a given industry and the ensuing competitive headwinds. A broader perspective is needed since the existential threat facing organizations, right now, has literally come out of the blue. The leadership team needs to bring into sharp focus the major technological factors creating disruption and opportunity to collectively chart a path forward. In a world struggling to recover from COVID-19 the inherent lack of digital literacy and skills at board level more often than not leads to narrow and ineffective strategies –

strategies that have more in common with budget-cutting measures than true innovation (hint: you need to balance cost cutting with funding of innovation).

2. What does the future business look like, does its purpose change? This perhaps sounds a little existential, but in the current environment it’s brought into sharp focus, and for good reason. You can’t define a strategy until you understand your purpose and why you exist – and as radical as it might sound, the COVID-19 pandemic has led to a new and highly changeable normal, subsequently your business purpose may need anything from a course correction to a right hand turn! It’s an interesting point of note, that whilst some traditional business models have been shaken to their core, there are many new economy digital business models that appear to be thriving - for example: **virtual presence** (Zoom was the #1 downloaded APP in the US to the end of July); **online retail and click and collect**; **streaming entertainment** (Netflix subscriptions increased by 15.8 million, the biggest quarterly jump in their history); **logistics and transport** - from more intelligent supply chains today, to the use of autonomous vehicles tomorrow; **food delivery services** (Uber Eats has seen a 30% increase in new customers as the parent company manages implications for ride sharing); **remote medical diagnosis**; **cash to wireless digital payments**; **BYOD** as employees use their own devices to work remotely; and **Cloud** – enabling businesses to literally add capacity at the touch of a button – and as a result, at the end of April, Google Cloud reported a staggering 52% rise in revenue. These digital models represent a strategic pivot – a shift from competing with similar products and services to competing instead through new, safe, intuitive, natural and compelling experiences designed to meet evolving customer needs. So, leaders must consider whether their current model remains fit for purpose. We’d also submit this is not something you should consider outsourcing to someone else. By all means call in experts to provide perspectives and facilitate the ideation process, but if you’re part of the leadership team the finger is ultimately pointing at you!

3. Where will the business fit into an evolving industry value chain, and what will your new ecosystem look like? As leaders consider their digital future state (as discussed above) and the impact of new digital business models, such as the Sharing Economy, Co-Creation and Personalization, the Lifestyle and Experience Economy, Digitalization of Products and Digital Twins, great care must also be taken to assess and understand the effect on the eco-system and supply chains. Without doubt change will be required, and some big bets will need to be placed. Investment questions around acquisition of new capabilities such as **“What do I buy versus what do I build?”** and **“What are the strategic implications?”** will arise, along with **“How is lock-in best avoided?”**. On the point of eco-systems, it’s interesting to note the emergence of ‘unholy alliances’ as businesses go digital – this occurs when companies that are natural industry competitors decide to work together on joint ventures that share both development costs and proceeds to their mutual benefit. A good example of this is HERE Technologies, a platform providing mapping and location services that’s co-owned by Audi, Daimler and BMW (plus Intel, Siemens, and Continental). As eco-systems change, new supply chains will likely emerge and its worth considering how the pandemic has highlighted that after decades of optimization, supply chains have become incredibly efficient but also very fragile. Lockdown disruption caused them to shatter and break, so there’s clearly a need to up-level resilience and agility through intelligence. These strategic decisions often come down to tolerance for risk. But remember the adage, “if you risk nothing, you end up risking everything”. Leaders need to agree their appetite for risk and how they will evaluate and mitigate it going forward.

4. How are you going to use data to create value and meet your customer’s needs? Businesses today are quite literally ‘deluged with data’. They are storing more than ever, both structured and unstructured. Hidden within is huge potential to better protect customers (a new ‘top of mind’ for consumers), deliver an improved experience, drive cost efficiency, and pave the way to new business models. For example, location and context can be

used to personalize customer offerings whilst ensuring social distancing; real-time insights can provide critical ‘point of impact’ analysis to workers; when combined with smart instrumentation, operational efficiency and safety improvements can be made; and data modelling and simulations provide opportunities to test concepts and prototypes without having to physically construct anything. However, at the same time businesses must become more aware of the boundaries, known as the ‘freak line’, that should not be crossed as it relates to data privacy. A review of recent Facebook headlines should serve as a cautionary tale.

5. Who will lead the transformation effort? Some companies are blessed with visionary CEOs who are both the face of the company AND personally lead the change – Steve Jobs, Satya Nadela, Elon Musk, Jeff Bezos, Jack Ma spring to mind. However, this is not the norm for most corporations. The CEO often needs a Transformation Office and a ‘CDO type’, supported by a highly skilled transformation team, to help define and action the forward-looking vision. The Transformation Office plays a critical role in shaping and executing the new strategy across the company from the tactics to survive a lockdown, to the strategies to thrive as the new normal emerges. It should include empowered individuals that can steer the organization away from a mess of disconnected projects and science experiments. These transformation leaders need to have a holistic perspective on the business and the market. They need mindsets built for change (think special ops), and can handle ambiguity but operate with agility. [Our recent blog on the role of the CDO outlines our views on this.](#)

6. Do you have the right culture for success? As Peter Drucker once said ‘culture eats strategy for breakfast’. Ultimately none of this transformation happens (especially right now) without the right people, the right culture, the right (flexible) work practices, skills and behaviours. Further, don’t think you can replace people with technology or automate everything. People are STILL a business’s most important asset and we’ve seen marked improvements in providing flexibility to

workers as the reality of remote working sets in. However, working from home is not without its challenges, **the State of Remote Work survey (2020) by Buffer said workers reported they were suffering from collaboration issues, loneliness, distractions, poor motivation and unreliable networking among other things.** Hence, the need for socially distanced work practices will also require somewhat of a cultural re-think. Automation is also clearly a top priority, but it is mainly to achieve productivity growth and to gain agility in operations and their operating models, and not primarily to replace workers. We expect talent acquisition will likely become a focus area as we recover from the pandemic. As Satya Nadela commented in his 'Hit Refresh' book, 'the C in CEO should stand for culture', ably supported by what we'd call 'the new HR' – a true talent partner with forward thinking approaches designed to attract, develop and retain a motivated, creative and empowered workforce. There's not been a time in recent memory where their role is more important than it is now.

7. How do you engage and enlist your employees, customers, partners? You can't change the company in a vacuum or from the pulpit of the 'ivory tower'. You don't have all the answers. Therefore, from the outset be transparent about the journey you're about to embark on – acknowledge openly that you need help. Doing so makes your stakeholders feel like they're in it with you. This acts to enhance your ability to tap into your 'sensor network' and its hidden intelligence as you create the nexus between your past and future states. Does this sound like you might show some vulnerability and maybe even feel a loss of control? Yes and yes. You can't rely on the proximity bias of yesteryear if you want a different outcome. Furthermore, given the challenges relayed above with regard to mass remote working, clear communication and constant reinforcement and reassurance from the top is paramount.

8. What about IT? Indeed! As much as the traditional role of HR is changing we'd submit that the case for transformation of the IT department is even stronger. There's a need for IT to shift from

being a classic cost centre aligned to the business, focusing on systems integration and support, to an 'IT as a Business Unit' value centre. **Accenture research states that only 34% of businesses see their IT group as a main driver of innovation.** If, as we predict, the pandemic will drive the world to 'Advance Digital' this must get addressed. At the highest level, IT needs to become a key contributor to new corporate strategy. Instead of simply aligning IT to the business, today's reality mandates that IT must instead be blended into the business. As such, IT strategy is a wholly-integrated part of the overall business strategy, not a standalone entity. Facilitating this shift will require some transformation of its own. Key to this is an evolved IT skillset with an emphasis on greater external market and customer orientation of staff – this means non-customer facing staff developing a genuine understanding what 'Putting the customer at the heart of everything you do' really means - and greater collaboration across the business. Further, the Agile Methods and DevOps movements were born in the IT world, meaning IT itself has the opportunity to role model new work cultures to the wider organization.

Finally, it would be remiss to not reference the importance of the Digital Platform in all of this. If digital is to accelerate, then this is the foundation. This should underpin the business strategy and set the stage for innovation across the company. Together, these changes can usher in a new era in the role of IT as a Business Unit, where it is integral to the innovation cycle in the company. In essence, use IT to lead with a business outcomes-based service delivery model and in the process find creative ways to monetize data.

In our experience, most organizations are focused on optimizing business models and are creating tactics to survive using digital rather than truly reinventing and transforming what they do and developing strategies to thrive. While the former isn't the wrong thing to do it can't be the only thing you do. You must do both. To underscore the point, Gartner has stated that 66% of CIO's 'say' they are pursuing transformation, compared to 85% who admit they are simply using digital to



optimize the business. However, writes Gartner analysts Ed Gabrys and Jenny Breresford, 'Based on discussions with clients about their actual digital business initiatives, we believe that the number is closer to 10 percent. **This chasm leaves most enterprises vulnerable to digital disruption.**'

There's plenty of writing on whiteboards and documents with 'transformation plan' headed in bold sat on executives home office desks across

the globe, but if you aren't able to operationalize it ahead of the market... well... the pantomime usually ends badly.

Andrew and Jim.

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