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Your big agenda just got bigger

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Illustration by **Matt Lennert**

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Insights

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Long-standing challenges are being prioritized in new ways on leaders' agendas, creating opportunities for those who can effectively weave them into a seamless strategic vision

By **Jolyon Barker**

As the pace of change continues to accelerate and the level of volatility grows, functional priorities and systematic drivers of change are competing for position on leaders' strategic agendas.

On one side of the ledger, leaders are contending with increased competition, more vocal investors, more empowered consumers, and growing talent challenges. On the other side sit huge, transformative initiatives. Seventy-four percent of CEOs say their organizations are pursuing large-scale digital transformation initiatives, 71% are investing in workforce transformations, and 46% are prioritizing sustainability-focused transformations, according to the June 2021 edition of the *Fortune/Deloitte CEO survey* [1] of 110 chief executives across more than 15 industries. These are the top three priorities ranked by our survey respondents. Add to these the need to address the growing trust deficit among stakeholders of all stripes and, after a tumultuous year and a half, the need to increase organizational resilience and you have a delicate balancing act, one that requires a vision for the future that often must be funded by operating models in transition.

Against this backdrop, we see five overarching priorities—call them the "new essentials"—that hold the power to transform and future-proof organizations: digital transformation, the future of work, climate change, trust, and resilience. We believe that the path to competitive advantage lies in drawing the connections between them, breaking down organizational silos, developing new skill sets, and encouraging operating models that value collaboration both inside and outside the organization. Too often, these challenges are being treated as discrete activities and organizations miss the considerable strategic advantages that can come from a more holistic approach.

Digital transformation can create and power new ways of working, bring coherence and transparency to far-flung supply chains, and enable organizations to adapt to and mitigate climate change, for example. Building and leveraging trust equity

with internal and external stakeholders affords organizations the ability to evolve, push through change, and take necessary risks while building credibility with an evolving workforce. And learning organizational resilience creates a climate of readiness, one that acknowledges both the uncertainty ahead and the opportunities that can come with it.

These are the issues leading our own research agenda as we navigate an increasingly unpredictable environment with you. Consider this just the start of the conversation and stick with us as we explore these issues in depth in the months to come.

Drive strategic and holistic digital transformation

Once viewed as a technical requirement to remain relevant, digital transformation is becoming a strategic imperative that can overhaul how organizations operate and how they drive value in the marketplace. It can be both the enabler of, and catalyst for, other strategic imperatives and a critical precursor to a more robust and disruption-proof operating model. But to fulfill this promise, the conversation needs to change.

Digital transformation quickly became more about chasing the latest disruptive technology rather than focusing on strategic goals. You can't win by simply adding AI to your toolbox. Strategic transformation demands a reorientation of technology, one that focuses as much on the "why" as on the "how." Put the bits and bytes aside long enough to ask the big questions: What's the mission? Who do we serve?

To get there, leaders need a common language[2] to discuss and plan for how digitally driven capabilities can pair with evolutions in operations and the workforce to transform their organizations. CEOs, CTOs, and their peers across the C-suite need to speak this language together to have higher-level conversations that ultimately include technology as both an enabler and a catalyst.

At its core, a digitally progressive organization is a future-ready organization that's able to pivot, scale up or down, and maintain stability in the face of volatility. This work is never-ending. Digital transformation is about continual adaptation to match the pace of innovation because going digital isn't the ultimate goal; it's the context within which a 21st-century organization operates.

Evolve work, workforces, and workplaces

With digital tools, services, and processes as enablers, the evolution of work, workforces, and workplaces is accelerating. Jobs are changing. Workforces are being rebalanced and redistributed as organizations develop new models for hiring in-house versus outsourced talent. Workplace strategies are more in flux than ever, with investments in office foosball/football tables giving way to reimbursements that equip employees working at their own kitchen tables.

Amidst all the change, organizations are being challenged to build stronger relationships with their workers so that employees have a real voice and are empowered to act. In a July 2021 special report from our global human capital trends team,[3] we explored how the worker-employer relationship needs to evolve to meet the challenges and opportunities posed by a post-pandemic world. Eighty-six percent of the executives we interviewed think that workers will have more independence from and influence over their employers going forward. With an increasingly tenuous talent supply, how can you set your organization apart to attract and retain the workers and capabilities you need?

Those organizations that can rearchitect work, unleash the workforce, and adapt their workplace strategies around the inherently human aspects of work—giving purpose and meaning to the tasks at hand, maximizing workers' potential, and adopting a more inclusive perspective of success that takes into account employees' work as well as their lives and communities—will gain a competitive advantage.

Mitigate and adapt to climate change

Of course, climate change's threats to the global economy have elevated the issue from a peripheral organizational concern to a featured item on leaders' strategic agendas, but Deloitte research also has found that decarbonization represents a significant market opportunity. For example, if Asia Pacific begins investing in decarbonization technology now, it could yield US$47 trillion in net economic gain for the region by 2070, according to an analysis by the Deloitte Economics Institute.[4]

As global scientific research[5] has concluded, decarbonization is a critical path to limit climate change. The world is warming, and the challenges that climate change poses to organizations will grow more dire. Organizations need to act now, both individually and collectively, to ward off more substantial costs to the system—diminishing resources, weakened supply chains, displaced talent pools.

To get to net-zero emissions, complex and interconnected systems across the global economy must be transformed. It's no small task, as every sector begins to adopt new business models, processes, and technologies to reduce, measure, and report on their carbon impact, and to mitigate and adapt to climate change.

Prioritizing any one of these challenges will take focus, creativity, and some risk-taking. Tackling them together will increase your organization's resilience and relevance.

Shifting away from still-profitable revenue streams into new and uncertain areas can be daunting. Incumbents across a range of industries have sought to manage the transition to a low-carbon future[6] by taking small steps, creating optionality, and extending the timeline over which the shift will play out. Simultaneously, leaders can prepare for a dramatically different future by setting aside existing frameworks about the current landscape and considering how markets, the industry, and the global economy are likely to be reconfigured as they move toward a low-carbon footing. This transformation toward a net-zero carbon future can create new market opportunities and new paths to sustainable success.

Build and leverage trust equity

The level of trust that an organization has built among board members, investors, employees, customers, suppliers, and other stakeholders is integral to the success of climate change initiatives, digital, and work-related transformations. However, the global pandemic, the proliferation of data privacy and protection issues, a fraying of the social contract between people and governments, an abundance of misinformation, and a concomitant level of social and political upheaval in many countries have created a deep trust deficit.

This deficit can present organizations with PR crises, decreasing customer loyalty, a lack of shareholder confidence, defecting employees, and unstable supplier relationships—but making a concerted effort to build and maintain trust with all stakeholders also can yield significant opportunity.[7]

Deloitte research has found that three-quarters of customers who highly trust a brand are likely to try the brand's new products and services. Another study found that companies that have garnered high levels of trust are more than twice as likely to be "high-performing revenue organizations" than companies with low trust levels.[8] Yet another found that public companies that are rated the most trustworthy have outperformed the S&P 500.[9]

Something so important, so omnipresent, yet so difficult to earn and maintain needs to be considered from the perspective of all stakeholders and corners of the organization. Topics ranging from cyber posture to the organization's stance and actions relative to ESG; compliance; commitments to diversity, equity, and inclusion; product and service quality; and many others all drive stakeholders' trust in an organization. Therefore, trust needs to be addressed proactively, and trust levels need to be consistently and repeatedly diagnosed, measured, quantified, and objectively assessed across this multidimensional matrix of stakeholders and actions as part of an organization's DNA.

Develop organizational resilience

Resilience, the ability to thrive amidst continual disruption, is fast becoming an "always-on" competitive advantage. Organizations that made early investments in resilient strategies during the COVID-19 crisis—or that had already made strategic, workforce, and technology investments in capabilities that enhance resilience—reported that they outperformed their competition, according to our fourth-annual *Global Resilience Report*,[10] a survey of 2,260 private- and public-sector C-suite executives in 21 countries and across multiple industries in December 2020.

Those organizations that hadn't already invested in resilience are learning some hard lessons: 70% of the executives we surveyed reported that they don't have complete confidence in their organizations' ability to pivot and adapt to disruptive events. However, many respondents also reported that they made investments in 2020 to improve their organizations' preparedness and resilience for future disruptions: 35% put processes in place to stress-test their cash reserves; 33% worked on increasing their supply chain's transparency, security, and diversification; and 32% worked to boost cross-functional collaboration.

Cross-functional collaboration is at the heart of a resilient organization[11] because resilience requires "whole-system" cooperation and strategic vision to increase collective agility, improve responsive decision-making, and ensure an ecosystem-wide view that benefits all stakeholders. And this resilience isn't just a characteristic or a mindset; it's a capability unto itself that can be leveraged to ensure the success of digital and workforce transformations, to mitigate and adapt to climate change, and to shore up stakeholders' trust in your organization's ability to weather any disruption.

Prioritizing any one of these challenges will take focus, creativity, and some risk-taking. Tackling them together will increase your organization's resilience and relevance. There will be many dependencies along the way—a fluency in digital systems, a resilient organizational culture, a surfeit of trust among internal and external stakeholders, to name just a few—but one thing is clear: Yesterday's business doctrines are insufficient.

Take on the "new essentials." Find the connections between them. Push your teams to break down established structures as they balance short-term priorities with your response to the existential drivers of change. Future-ready organizations are already mining them for opportunities. Don't be left behind. ●

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Endnotes

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Unshackling the creative business

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2. Design for Manufacture and Assembly (DFMA) is a design approach that focuses on the efficiency of manufacturing and assembling the final product. The foundation of applying the approach to construction is a digital model of the building—a building information model (BIM). Rather than treating BIM as a tool to streamline existing operations, which is common, the DFMA approach centers the model and uses it to drive all building activities.

3. Hickory's approach is built on a set of parametric digital models that enable a bespoke building to be broken down into a set of custom parts—precast stairs and pretensioned concrete flooring system with preattached façades—that are manufactured offsite and then assembled onsite. A key difference between Hickory's and early modular systems is the focus on creating an approach that could be used to construct any bespoke building, rather than restricting the building to a set of predefined manufactured components.

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14. Views on the source of creativity—our understanding of creativity's *cause*—have shifted over the centuries, passing through the *He* and *I* paradigms to end up at the current *We*. *He* is the lone genius, where creativity is due to the influence of god or, later, a person's genetic inheritance—an essentialist view. *I* has the "normal" person replacing the genius, with creativity as a quality of the (lone) individual, the "creative personality," a skill that can be taught—a reductive view. *We* has creativity as the result of multiple factors that must converge for creativity to occur, a "systems approach" or "social creativity" where creativity is the result of human interaction and collaboration.

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The end note

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Humanizing performance management

Some research and insights have a short shelf life, while others continue to gain color and context. In each issue of Deloitte Insights Magazine, *we look back on research we published and ideas we pitched, and evaluate whether they've stood the test of time.*

By **Timothy Murphy**
Director of research and insights for Deloitte's CMO Program

What we said then

"Nonverbal information often trumps verbal content. In one experiment, subjects were asked to rate video recordings of participants reading various passages. … Subjects who were asked to assess the feelings of the participants assigned up to 13 times more importance to the nonverbal over the verbal content."[1]

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What we say now

Put simply, we often communicate more meaning to our team members in how we deliver the message rather than just what we say. Words matter, but the tone and other nonverbal cues speak volumes.

Consider that fact within the context of our heavily remote—or hybrid—work environment today, in which emails, IMs, and conference calls are our primary modes of communication. The research we shared four years ago was conducted over video, but even video calls now are fraught with complexity when it comes to nonverbal communication. (The fatigue is *real*.)[2]

So how do team leaders host meaningful performance management conversations in a world in which face-to-face interactions can be few and far between, and video calls often involve staring at a shy, fatigued, or tuned-out team member's headshot?

Make videoconferencing the exception rather than the rule. Using video less frequently can help your team members avoid videoconferencing fatigue, and can help you increase the impact and meaning of those video-based touch points when you use them, tapping into your entire arsenal of communication—that is, both verbal and nonverbal cues. And if you're in a hybrid work model, reserve those relatively rare in-person moments for one-on-one feedback sessions and check-ins with your team, rather than just spending that time in the office for business as usual. ●

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