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COVID-19 AND ITS IMPACT ON DIGITAL TRANSFORMATION AND WAYS OF WORKING

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Don Ruse & Mark Clark

# INTRODUCTION

2020 has been a year of unprecedented change caused by the COVID-19 pandemic. Businesses, both large and small, have had to rapidly and drastically change their ways of working as a matter of survival. While there was hope that this crisis would soon pass, companies find themselves in a period of sustained uncertainty with limited direction or experience to navigate these unchartered waters.

The pace and velocity of business transformation is frequently accelerated in times of crisis. We wanted to find out how this dynamic was playing out in the post-COVID-19 era. Bryant Park Partners and Pivot-IT collaborated to conduct interviews with 20 CEOs, CFOs, CIOs, CDIOs, CHROs and Supply Chain Heads across multiple industries and in organizations ranging from start-ups to multi-billion-dollar global companies. Our intent was to understand the answers to three questions:

1. Has this crisis accelerated digital transformation in your company? If so, how?

2. How has this impacted your company's operating model and culture?

3. Do you expect these changes to be temporary or permanent and if the latter, what challenges do you anticipate?

The information that follows summarizes our findings and provides perspectives on how companies are using this crisis to drive fundamental change that not only enables them to survive but also thrive in these unprecedented and uncertain times.
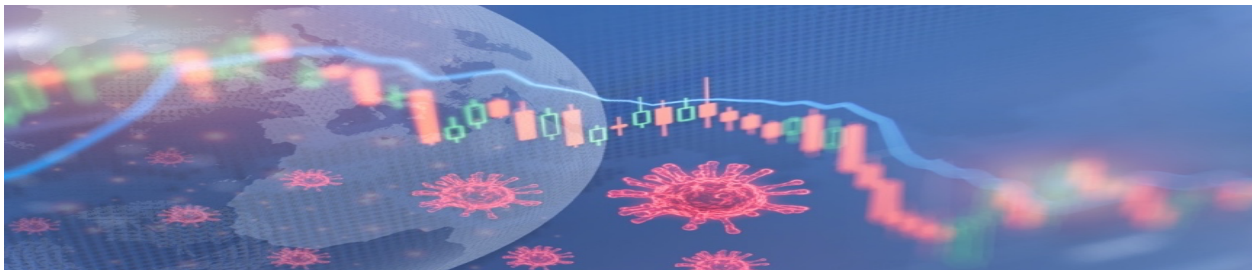
EXECUTIVE SUMMARY

- Study participants did not anticipate the significance and scale of COVID-19's impact on when, where, and how they conduct business. The impact was far greater and occurred almost overnight.

- The crisis created what was described as an "ah ha moment" that required leaders to make bold decisions with limited or conflicting information. This was necessary to quickly pivot their business operations and embrace new ways of working that were inherently uncomfortable, and for many, at odds with their personal preferences and proven recipes for success.

- Most every leader we spoke with was amazed at how successfully their businesses made the pivot, beginning with taking entire workforces from the office to their homes. Many were surprised at how effective and efficient digital collaboration tools proved to be.

- Remote work was just the tip of the iceberg of change and only one dimension of the digital transformation that occurred.

- All leaders we interviewed used the crisis to accelerate digital transformation across their entire value chain. Those with cloud capabilities were able to transform faster.

- While technology changes grabbed the headlines, participants stated the biggest changes occurred and continue to occur, in their business operating models and organizational culture.

- Longstanding beliefs and norms around decision making, risk management, and employee empowerment were upended to enable organizations to quickly adapt and adopt to a rapidly changing environment that impacted every aspect of personal and professional life.

- Overall, these changes have been well received by employees and customers. Employee productivity and engagement are generally trending up. Customer experience has also been positive as a result of being served in new ways and by a more fully engaged and caring workforce.

- Sustaining the change and addressing the myriad challenges associated with new ways of working are of material concern for participants, given their impact on culture and leadership.

- Participants believe that the next year will be critical to seat the changes and overcome the inevitable inertia to return to old ways of working and leading.

- Leadership *will and fortitude* are the primary enablers and most significant barriers to making the changes stick and realizing long-term value. Leaders must demonstrate a willingness to question old ways of working, and the fortitude to drive change in the face of stiff headwinds to return to old and comfortable ways of working.

20 participating companies
Representing 11 industries ranging from transportation to biotech to healthcare
Public and privately held, with revenues ranging from $2mm-$51bb
Participants included 7 CEOs, 8 CDIO/CIO/CTOs, 1 BU GM, 2 CFOs, 1 VP Supply Chain and 1 CHRO
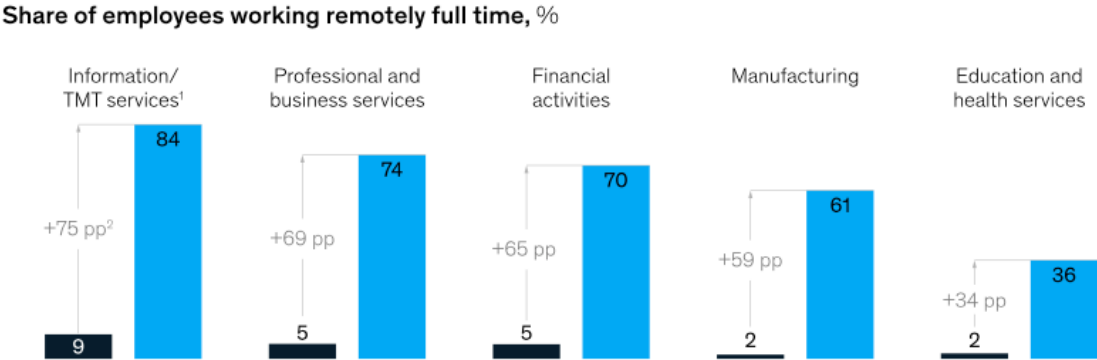
Digital Transformation:

"Never waste a good crisis."

– Bijoy Sagar,
Chief Digital & Information Officer – Bayer

COVID-19 Rapidly Accelerated Digital Transformation

The pandemic rapidly accelerated digitization of data and business processes across the entire value chain. Massive change was required to survive the shock of the pandemic and to enable necessary changes in operating and business models. Most prominent was the overnight adoption of collaboration platforms that enabled an immediate shift to remote work for large percentages of the workforce.

Share of employees working remotely full time, %

	Information/TMT services[1]	Professional and business services	Financial activities	Manufacturing	Education and health services
Post-COVID	84	74	70	61	36
Change	+75 pp[2]	+69 pp	+65 pp	+59 pp	+34 pp
Pre-COVID	9	5	5	2	2

[1]TMT = technology, media, and telecom. Pre-COVID-19 figures for remote-work frequency in sector sourced from internal survey (unavailable in American Time Use Survey).
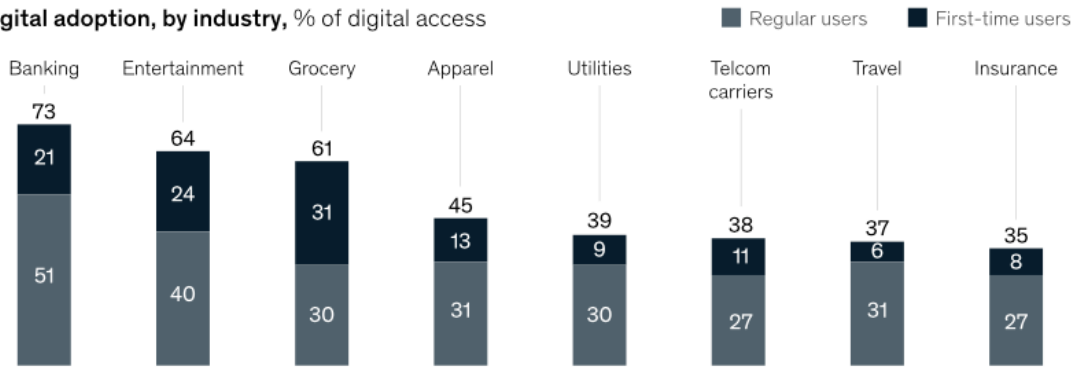[2]Percentage points.
Source: American Time Use Survey, US Bureau of Labor Statistics, n =134; expert interviews; press search; McKinsey analysis

Beyond collaboration, historically centralized operations ranging from customer service to flight operations where quickly dismantled and pivoted to employee's homes at a pace and rate that exceeded leader expectations. Rapid automation of data flows and business processes and adoption of machine learning and AI were required to make these shifts. What used to take 8-12 months to complete was accomplished in a matter of weeks.

Digital transformation of the customer experience happened at warp speed as public safety required fundamental changes in buying behavior from online grocery shopping to telemedicine and buying automobiles. Many participants saw the crisis as an opportunity to reimagine customer journeys to reduce historic friction and provide a meaningful point of differentiation to their competitors.

Our study clearly showed that Cloud capabilities were core to enabling rapid digital transformation. Participants that had made the shift to Cloud-based environments prior to COVID-19 were able to more quickly adopt new platforms and capabilities to enable a remote and distributed model and to access data more quickly and effectively. Some participants were in early stages of making the shift and quickly demonstrated the value of this investment with the rapid pivot. CEOs and CDIOs of these companies not only protected this investment but, in some companies, *doubled down* and increased it given its ROI.

Digital adoption, by industry, % of digital access

Legend: ▨ Regular users ■ First-time users

Industry	First-time users	Regular users	Total
Banking	21	51	73
Entertainment	24	40	64
Grocery	31	30	61
Apparel	13	31	45
Utilities	9	30	39
Telcom carriers	11	27	38
Travel	6	31	37
Insurance	8	27	35

Note: Figures may not sum to listed totals, because of rounding.
Source: McKinsey COVID-19 US Digital Sentiment Survey, Apr 25–28, 2020

Participants who did not fully make the shift were somewhat hamstrung in their digital pivot. That said, we were pleasantly surprised that these companies were able to take a crash course in how to rapidly harness Cloud capability. This demonstrated two important points that we believe create tipping points for companies who are still reticent to fully migrate to the Cloud:

1. The Cloud is robust and companies that provide Cloud services proved their viability, scalability and security.

2. The historic measured and conservative pace of Cloud adoption pre-COVID-19 to manage perceived risks is not only unnecessary but also a significant impediment to a company's ability to operate and compete in a post-CV-19 world. We believe those who maintain this approach will put their organizations at competitive risk.

Time required to respond to or implement changes,[1] expected vs actual, number of days

Legend: ■ Organizational changes ■ Industry-wide changes

	Expected	Actual	Acceleration factor, multiple
Increase in remote working and/or collaboration	454	10.5	43
Increasing customer demand for online purchasing/services	585	21.9	27
Increasing use of advanced technologies in operations	672	26.5	25
Increasing use of advanced technologies in business decision making	635	25.4	25
Changing customer needs/expectations[2]	511	21.3	24
Increasing migration of assets to the cloud	547	23.2	24
Changing ownership of last-mile delivery	573	24.4	23
Increase in nearshoring and/or insourcing practices	547	26.6	21
Increased spending on data security	449	23.6	19
Build redundancies into supply chain	537	29.6	18

[1]Respondents who answered "entry of new competitors in company's market/value chain" or "exit of major competitors from company's market/value chain" are not shown; compared with the other 10 changes, respondents are much more likely to say their companies have not been able to respond.
[2]For instance, increased focus on health/hygiene.

McKinsey & Company

Also surprising was the importance of "low tech" solutions. Several study participants communicated how critical low-tech investments in technologies such as HVAC were necessary to ensure a safe environment for employees and customers.

Ways of Working:
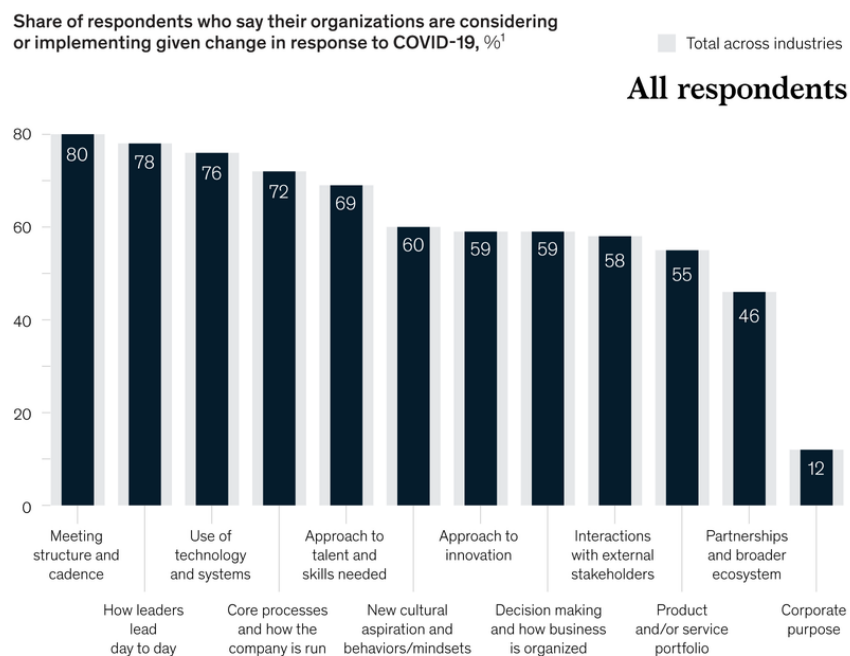
"We adopted the scrappy manifesto."

– Linda Jojo,
Chief Digital & Information Officer — United Airlines

While Digital Grabbed Headlines, the Most Significant Changes Caused by COVID-19 are in Operating Model and Culture

The speed and impact of COVID-19 substantially changed leadership mindset around how work gets done, where it gets done, who does it and what organizational capabilities are most critical to survive and thrive in a post-COVID-19 world.

Public and employee safety moved work from campuses to homes with lightning speed. Long held myths and concerns about remote working evaporated. Every company we spoke with stated workforce productivity has remained the same or increased in a remote world of work. While none of the participants has had time to formally analyze why, all leaders believe it is a result of:

- ✓ Company *affiliation* and the resulting behavior of "rallying around the flag"

- ✓ Employees being *empowered* to adapt and change ways of working

- ✓ Employees being given the *autonomy* to get their work done and integrate work and life in order to effectively manage both

- ✓ The organization being *freed from* formal and informal *complexity and bureaucracy* that bridled the workforce's ability to get the job done

- ✓ The *inherent efficiencies* that come *from interacting virtually* vs. in person (e.g., more work time due to less commute time, scheduling discipline required to manage work and life balance, less "chit chat" and greater focus on purpose of interaction, potentially less interruptions)

Share of respondents who say their organizations are considering or implementing given change in response to COVID-19, %[1]

☐ Total across industries

All respondents

Meeting structure and cadence	Approach to talent and skills needed	Interactions with external stakeholders
How leaders lead day to day	New cultural aspiration and behaviors/mindsets	Product and/or service portfolio
Use of technology and systems	Approach to innovation	Partnerships and broader ecosystem
Core processes and how the company is run	Decision making and how business is organized	Corporate purpose

Values: 80, 78, 76, 72, 69, 60, 59, 59, 58, 55, 46, 12

[1]Share of respondents who agree or strongly agree in each category. In advanced industries, n = 97; in banking, n = 98; in consumer goods and retail, n = 101; in global energy and materials, n = 80; in healthcare systems and services, n = 100; in insurance, n = 76; in pharmaceuticals and medical products, n = 101; in technology, media, and telecommunications, n = 100; and in travel, transport, and logistics, n = 100.

McKinsey & Company

Study participants reported that longstanding policies, processes and procedures overseen by traditional management structures and governance models went out the window and have been replaced by empowered teams and agile ways of working.

- ✓ Traditional structure and oversight were replaced with distributed governance and networks that bring together the right people to triage trouble spots, implement workarounds and adopt new ways of working.

- ✓ Teams were empowered to make critical decisions on how ways of working would be adapted to run operations and serve customers in a totally dynamic, unpredictable and virtual environment**.**

Job accountabilities at every level have drastically changed.

- ✓ Leadership can no longer extend their long arm of planning, organizing, directing and controlling over a virtual workforce. Their role pivoted to boundary setting, "air cover" to make change, resource allocation, and breaking down cultural barriers that impede speed, agility, experimentation and informed risk taking.

- ✓ Job descriptions focused on narrow responsibilities have been tossed aside. Employees are re-focused on outcomes and core values vs. activities and are provided the autonomy to achieve these while balancing the challenges COVID-19 has created in their personal lives, especially for working parents.

Historical perspectives on what work should be done in house have been tested and changed to adapt to the COVID-19 business environment.

- ✓ Companies quickly looked for opportunities to outsource or automate requisite work to allow internal resources to focus on market and customer-differentiating work.

- ✓ Partnerships were forged with other companies, including historical competitors, to quickly access needed capabilities but would take too long and cost too much to build internally.

Long-standing norms and practices around customer engagement fundamentally changed given the absence of physical contact. These changes have increased salesforce productivity.

- ✓ In person sales calls have been replaced by virtual sales calls. Business leaders reported that sales force productivity increased as salespeople no longer spent time traveling and instead, conducted virtual sales calls which have proven to be more effective and efficient for both the seller and buyer. This allowed for more customer touches in the same period time vs pre-COVID-19 when salespeople got in planes, trains, and automobiles to visit customers.

- ✓ Engaging with customers through large, in-person events totally ceased for safety reasons. Every business leader we spoke with has adapted their approach to showcase and sell their products and services. This required marketing and sales organizations to fundamentally rethink how to engage large groups virtually, leveraging Zoom and other digital sales and marketing technologies.

- ✓ Several companies are adopting virtual and augmented reality to provide customers with the opportunity to "see, touch, and experience" products safely.

Changes in operating models are providing significant opportunity to reallocate financial resources towards higher ROI opportunities.

- ✓ While many companies had to take immediate, and in some cases drastic, action to reduce operating expenses, the changes in how work gets done, where it gets done, and who does it provide opportunity for significant reallocation of OpEx dollars towards digital and talent investments.

- ✓ Travel and real estate are the most obvious areas of cost savings. Leaders expect to maintain these savings if they can "make stick" the changes in their operating models related to remote work, collaboration, and customer engagement.

The success of remote work clearly opened the doors to larger and more capable talent pools. Study participants who operate in high-cost locations see the opportunity to redistribute their labor costs across a broader and more virtual pool of talent. Doing so enables companies to more evenly distribute pay thus improving their overall competitive pay position. Virtual talent pools have also reduced benefit costs previously required to attract talent to urban and high-cost-of-living locations.

Operating model changes are placing significant pressures on organizational culture, especially in organizations where relationships, forged in the office, at the water cooler, and over lunch or dinner, are considered foundational to company affiliation and performance.

- ✓ As the pandemic continues, leaders in these cultures are grappling with whether they should call for a wholesale return to the office. Several participants have made this call and experienced a backlash from their workforce, given the continued challenges of balancing home and work life and the questionable rationale for doing it that is based on egalitarian beliefs—"If my folks in the factory need to come to work so do those who work in the office."

- ✓ Cultural beliefs underpinning historical approaches to managing productivity are also under significant pressure. "Time in the office" and being "the last one to leave" have always been invalid but frequently accepted measures of workforce productivity. The crisis has blown this belief out of the water with the pivot to remote working and the productivity seen to date.

- ✓ Leading in a remote or hybrid work model is challenging traditional leadership mindsets and skillsets, more so in larger, established organizations than in smaller organizations who participated in the study.

Making it Stick:

"We are not going back to the way things were."

– Mark Begor, CEO – Equifax

While COVID-19 Accelerated Change, the Real Challenge Now is Making it Stick

The pandemic has, in many ways, forever changed how we work and live. Unlike previous existential events, COVID-19 turbocharged the digitization of work and upended long-standing beliefs and norms that underpin how work gets done and how organizations are managed. It has also changed how we interact and what is important in terms of customer experience.

Study participants recognize that the silver lining to this very dark cloud lies in sustaining the changes made and benefits realized. Going back to old ways of working will result in a significant loss of economic value and employee good will. Further, participants recognize that now is not the time to take the foot off the gas pedal of change but actually to accelerate further change that fundamentally equips them with the organizational capabilities and operating model necessary to achieve and maintain competitive advantage.

History reminds us how difficult it is to sustain fundamental change coming from crises. The past is full of stories regarding how companies muscled their way through a crisis only to return to old and familiar ways of working and thinking. The study of organization transformation shows that most of them fail to achieve their expected outcomes and any benefits derived along the way are short lived. Why? *Leadership*!

All the leaders we spoke with in this study identify *leadership will and fortitude* as being the essential ingredients to sustain the changes and benefits realized and drive further change that enables their companies to grow and thrive in the new normal.

Five Actions That Make the Change Stick

Making transformational change stick requires that leaders demonstrate *will and fortitude* to drive five key actions that together, lock in the benefits of the changes brought on by the pandemic and position organizations to grow and thrive in this new normal.

1. *Fundamentally transform the role of leader* from planner, organizer and controller to boundary setter, barrier buster, resource allocator, champion for purposeful change and keeper of essential culture. Participants flagged this as possibly the biggest challenge, beginning with the need to take a hard look in the mirror. Old culture that impedes necessary transformation is rooted in leadership beliefs and values. These must be questioned and changed to sustain the benefits and momentum of the change COVID-19 has created.

2. *Maintain and accelerate investment in digital transformation*, especially as it relates to making the pivot to the Cloud. CEOs and CDIOs are under immense pressure to reduce CapEx in times of depressed business activity. COVID-19 has demonstrated the ROI on digital is real, if investment is focused on enabling differential customer experience and more effective and efficient ways of working that enable remote and hybrid work models.

3. *Make informed choices about what work should return to the office and what should remain remote* based on the nature of the work and the criticality of in-person engagement and collaboration. Leaders must demonstrate the will to fundamentally challenge cultural beliefs and set aside the pre-COVID-19 operating model to fully understand 1) the level and extent of interaction between team members required to perform work and 2) whether these interactions best happen if they are ad hoc or planned. If the nature of the work requires ad hoc interaction to be performed well (e.g., product development), this work is a viable

candidate to require some form of return to the office. If the nature of the work requires little collaboration or can be done through planned collaboration, it is viable to keep this remote.

4. ***Make temporary changes to your operating model and culture permanent*** in terms of who does the work, how the work gets done and how technology enables it. Will and fortitude will be needed in abundance to make permanent the changes leaders made in crisis. Specifically, leaders must fight the snapback to old ways of working and managing and maintain as well as accelerate the following:

   a. Shifting from traditional hierarchies to networks that quickly assemble and deploy the right talent against problems and opportunities.

   b. Empowering your workforce through distributing decision making to those who are best able to make the optimal decision.

   c. Structuring of jobs in a manner that provide the company and the employee flexibility to focus on whole pieces of work and the achievement of tangible and meaningful outcomes while providing autonomy to manage work and life, especially if the work they do will stay remote.

   d. Moving, once and for all, from invalid and superficial measures of productivity that have no place in a remote or hybrid environment and use the data and insights provided from digitizing ways of working to understand how to hardwire interaction, information flow, and collaboration associated with high performance.

   e. Seating the agility and experimentation demonstrated during the crisis and formalizing it as the norm for how work gets done. This requires a fundamental look at beliefs that have historically driven policies, procedures and practices intended to manage risk and maintain leadership control.

5. ***Re-imagine and redesign traditional ways of managing and engaging talent***. Traditional ways of managing across the talent lifecycle (attract, onboard, develop, manage, promote) must be fundamentally re-imagined and career constructs and promotional paths must be re-evaluated and adapted for a hybrid work model. Finally, companies need to evaluate their employee value proposition and evolve it to tap into a global workforce that is less constrained by location and more motivated by having more autonomy and control over their work. Study participants identified this challenge as being close or equal to leadership transformation in terms of its importance and urgency to realizing sustained future success.

PARTING THOUGHTS —
FROM BREAKDOWNS COME BREAKTHROUGHS

No one could have imagined nor wished for 2020 to be the year that has unfolded before us. How we live and work have, in many ways, permanently changed. Organizations and the human race in general have demonstrated resilience and their ability to adapt to adverse conditions and adopt new ways of living and working in order to survive. As a result, what we want and need in our personal and professional lives has been reset.

COVID-19 catalyzed unprecedented change in how organizations operate and from this change, made clear the value of digital transformation and fundamental changes in ways of working that to-date have been accretive and demonstrating tangible economic and social value. The challenge before business leaders is simple: lean in, make it stick and use the crisis to accelerate additional change that is necessary for organizations to thrive.

Please contact us if you would like to learn more about this study and the actions required to transform your leadership, operating model and culture to thrive in the post-COVID world.

Don Ruse: Managing Partner, Bryant Park Partners LLC.
donruse@bryantparkpartners.com **+1 919.349.7299**

Mark Clark: Principal, Pivot IT LLC.
markc@pivotit-llc.com **+1 607.368.2120**

ABOUT THE AUTHORS

Don Ruse is a seasoned executive with an extensive track record in driving the execution of a global enterprise's vision through operational strategies.

He has worked across multiple industries, markets, and disciplines with a proven ability to improve company growth and profitability through effective strategy execution.

Don has deep expertise in strategy, organization design and large-scale transformation and extensive global experience and track record in leading diverse, multi-cultural teams to execute complex organizational change.

Don is the Founder and Managing Partner of Bryant Park Partners LLC. Bryant Park is a management advisory firm that specializes in helping companies scale and profitably grow by intentionally designing their operating model and culture to execute strategy.
donruse@bryantparkpartners.com   +1 919.349.7299
https://www.linkedin.com/in/donaldruse/

Mark Clark brings over 30 years of experience and insight defining and delivering IT/digital strategies that create value for business partners.

As the former Chief Information Officer of Corning, Inc., Mark provides real-world insights on driving digital objectives. A product of GE's leadership development programs, his experiences span IT, business development, and management consulting disciplines across several industries and global locations.

Mark has deep expertise in strategy and business development, IT transformation, program management, process improvement, and culture change.

Mark is the Founder and Managing Partner of PivotIT LLC. PivotIT is a management advisory firm that specializes in helping companies imagine, plan, and navigate digital/IT transformations that create differential value.
markc@pivotit-llc.com   +1 607.368.2120
https://www.linkedin.com/in/mark-clark-b976b58/