workday

Organizational Agility

The Roadmap to Digital Acceleration

Table of Contents

At a Glance

The world has changed irreversibly. What began at the start of 2020 as a health crisis has caused economic, geopolitical, and social disruption unlike anything we have seen before. Business leaders now face a harsher reality about the urgency of digital transformation, and organizations that can react to events quickly and effectively have never been so well placed to benefit. Our latest global survey of 1,024 executives shows us why that is and how organizations can adopt these behaviors.

What the Research Tells Us

Digital revenues dominate (and are accelerating). More than one-third of firms now expect that 75% or more of their revenue will come from digital within 3 years. This has tripled since 2019.

Smart technology is driving digital growth. The organizations that have made progress deploying artificial intelligence (AI), machine learning (ML), or robotic process automation (RPA) are more than twice as likely to report high levels of digital revenue as those that have made little or no progress.

Changing tools is easier than changing minds and habits. While more than half of organizations (56%) say their technology is compatible with digital transformation goals, just 16% say the same about their company's culture. Without additional emphasis on successfully adopting new technology, organizations run the risk of not getting the desired returns on technology investments.

Agility builds resilience. Organizations that responded fastest to the pandemic are more likely than all the others to have embedded agile capabilities such as data accessibility and cross-functional collaboration. And, when asked what change would make their organization most resilient in the face of future crises, one-third of leaders point to accelerated rates of digital growth.
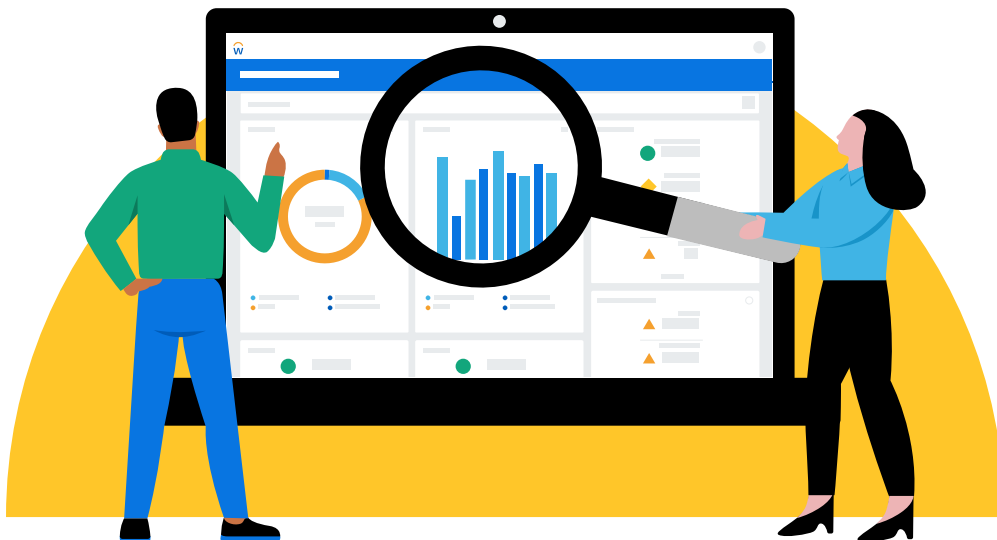
Roadmap to Digital Acceleration

In 2019, we analyzed the key characteristics of firms that act with agility in order to understand what capabilities they share and why agility underpins digital transformation success. We found that five capabilities made them better placed to unlock digital revenue streams and react to external market shifts at speed: **continuous planning, fluid structures and processes, developing skills for the future, informed and delegated decision-making, and controlled measurement and guidance**.

In 2020, we have set out to understand how firms are embedding these five capabilities in order to create a roadmap for others. We find they focus on the following strategies:

1. Adopt smart technologies
2. Embed an adaptable culture
3. Ensure data accessibility
4. Develop analytical and tech skills
5. Empower cross-functional teams
6. Keep iterating on the "digital acceleration imperative"

These six strategies, combined with the five capabilities, form a "Roadmap to Digital Acceleration" that business leaders can use to decide their own digital transformation priorities. Think of the capabilities we found in last year's study as the destination. At the end of this report, we provide questions that leaders can ask themselves to determine where to start.

To arrive at the roadmap, this report builds on the 2019 study by answering two key questions:

- How are firms embedding the five best-practice capabilities to operate with agility?

- What benefits does agility yield for businesses navigating crises, such as the COVID-19 pandemic?
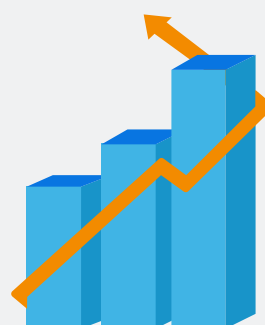
Digital revenues are accelerating: over one-third of firms now expect that 75% or more of their revenue will come from digital within 3 years. This has tripled since 2019, when just 1 in 10 firms had the same projection.
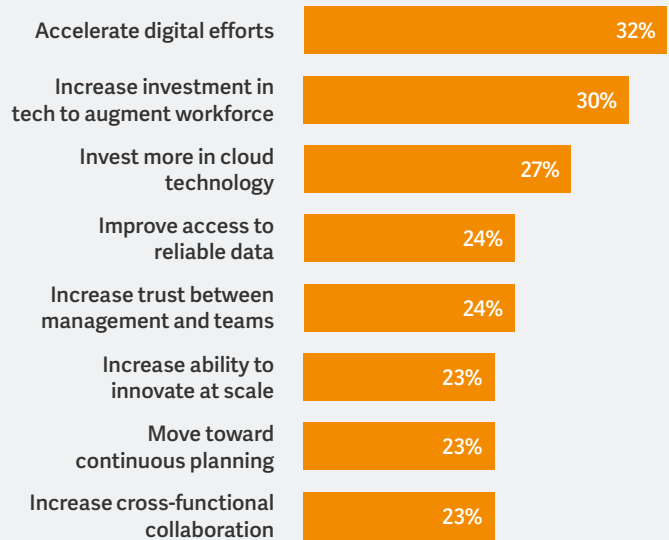
The Digital Acceleration Imperative

There is now no doubt about it: digital transformation is critical for business survival. Against 2020's backdrop of economic, geopolitical, and social uncertainty, 36% of firms now expect that three-quarters or more of their revenue will come from digital within 3 years. This has tripled between June 2019 and July 2020.

While the path to recovery is anticipated to be a long one, the executives we surveyed are already reflecting on how to protect their firms from future crises. One-third (32%) say that accelerating digital efforts—whether by increasing digital revenue streams or advancing digital transformation—is the number one change that will improve their organization's resilience in the event of a future crisis. This is followed closely by increased investment in technology to augment the workforce (30%) and investment in cloud technology (27%).

Our research also points to a link between the use of smart technologies, such as AI, ML, and RPA, and the growth of digital revenue streams. The 64% of organizations that report some progress from deploying smart technologies are twice as likely to derive 50% or more of their revenue from digital than those that have yet to deploy.

Accelerate digital efforts	32%
Increase investment in tech to augment workforce	30%
Invest more in cloud technology	27%
Improve access to reliable data	24%
Increase trust between management and teams	24%
Increase ability to innovate at scale	23%
Move toward continuous planning	23%
Increase cross-functional collaboration	23%

Which of these are the most important changes your organization needs to ensure its resilience in a future crisis?

COVID-19 Cements the Case for Digital Transformation

As organizations flex in a bid to future-proof their revenue streams, operations, and people throughout the COVID-19 pandemic and beyond, our research illustrates the importance of digital transformation.

We asked firms whether they were equipped to respond to the COVID-19 pandemic at speed and scale. Proving that necessity is the mother of (re)invention, a large majority (73%) say they were equipped to respond fast when the pandemic hit. Throughout this report, we call these businesses the fast responders; the remaining firms, the slow responders. The second part of this report shows that these fast responders report higher levels of progress in all areas of agility covered by our 2020 study—as well as higher digital revenue growth.

What does the way in which these firms have responded to the pandemic mean in practice? For some, it has vindicated their efforts to become more agile. "Our organization was absolutely ready, which was the first big benefit of being agile at this point in time: to be up and running at full throttle working from home," says Michele Ungaro, chief development officer at global professional services firm Aon.

For others, the pandemic has reinforced the need to execute on their digital transformation plans faster than they had anticipated, echoing the survey result around digital acceleration. "We were already in the works to go completely digital, but we had to shift and make different decisions based on what COVID looks like moving forward," says the regional vice president of operations at one multinational hospitality group. "We are moving faster, and that's where our efforts are focused—on making a digital world across our hotels a reality sooner rather than later."

Our research shows that this organization is not alone: in 2020, it became clear that businesses need to be moving at speed. More than three-quarters of respondents (77%) say that their firm is fast to act when technology investments fail to meet expectations, up from 70% in 2019. And 60% say that their organization has removed bureaucratic processes that slow decision-making, up from 53% in 2019.

But there is still a way to go. The next section of this report shows how firms are unlocking organizational agility at scale, the stumbling blocks that are hampering progress for many, and where opportunities lie for future growth.
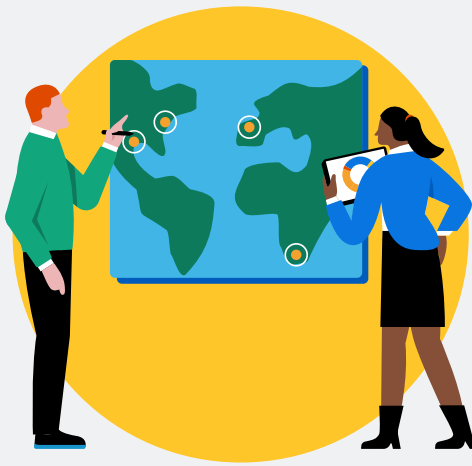
Slow to respond
27%
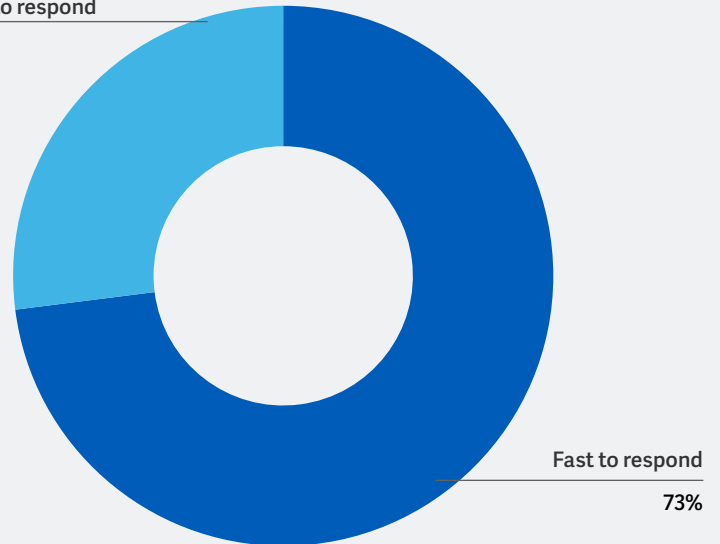
Fast to respond
73%

Which best describes the response of your organization to the COVID-19
pandemic and its ongoing impacts?

Culture Takes a Front Seat

The promise of digital transformation in this climate may be encouraging, but changing tools is far easier than winning hearts and minds. While more than half of organizations (56%) say their technology is compatible with their digital transformation goals, just 16% say the same about their firm's culture.

While culture may traditionally have been the remit of the HR department, our research shows that it is a major barrier to almost all digital transformation efforts, especially where finance and IT are concerned.

"Technology is generally quicker and more exciting to implement," explains Jennifer Howard-Grenville, Diageo professor in Organization Studies at the University of Cambridge. "There's a sense that culture is a holistic, rather mysterious, force," she says.

"

If we can stay better connected with our customers, if we can respond better to their needs, if we can stay connected with our suppliers and maintain our relationships with them in really difficult times, then that should give us a competitive advantage in the future.

Paul Wright
CIO, Accuride

Good C-suite leaders will recognize that you can't forge a path forward with one part of the organization—the technology, the tools, or the strategy— without bringing the rest of the organization along.

Jennifer Howard-Grenville
Diageo Professor in Organization Studies, University of Cambridge

The research shows that culture is defined from the top down and rarely changes in almost two-thirds (63%) of organizations. This could explain why it is repeatedly ranked as a top barrier across all areas of agility, as we will see throughout this report.
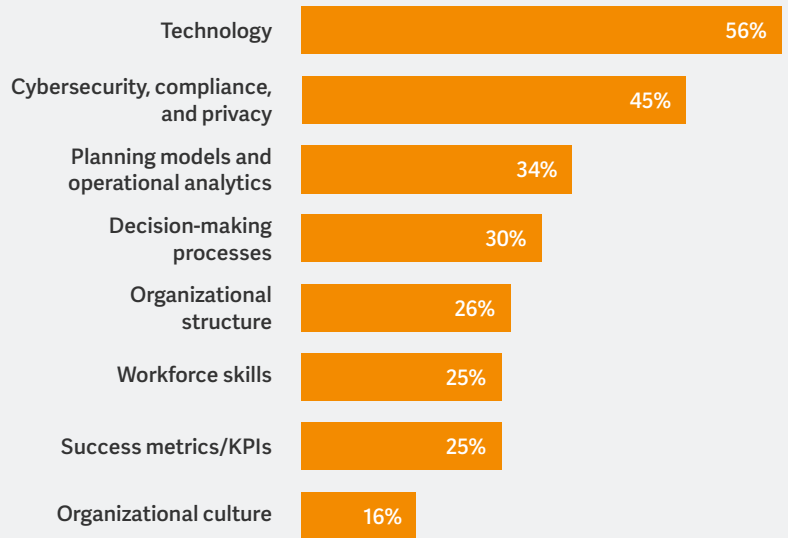
"Good C-suite leaders will recognize that you can't forge a path forward with one part of the organization—the technology, the tools, or the strategy—without bringing the rest of the organization along," says Jennifer Howard-Grenville. "A good manager sees culture as something that is absolutely essential to manage, or at least attend to, in exactly the same way as all these other things."

Put another way, deploying new technology without ensuring that the organization is in a position to successfully adopt it is unlikely to lead to success. If the culture doesn't embrace change and look toward continually improving, then new technology isn't likely to take you where you need to go. So instead of making the move to new technologies a "lift and shift" exercise, leaders should instead use the change as an opportunity to reassess and transform the business' culture.

Area	Percentage
Technology	56%
Cybersecurity, compliance, and privacy	45%
Planning models and operational analytics	34%
Decision-making processes	30%
Organizational structure	26%
Workforce skills	25%
Success metrics/KPIs	25%
Organizational culture	16%

Which of the following areas of your business are best aligned with your digital transformation objectives?
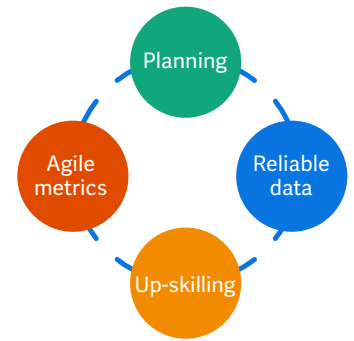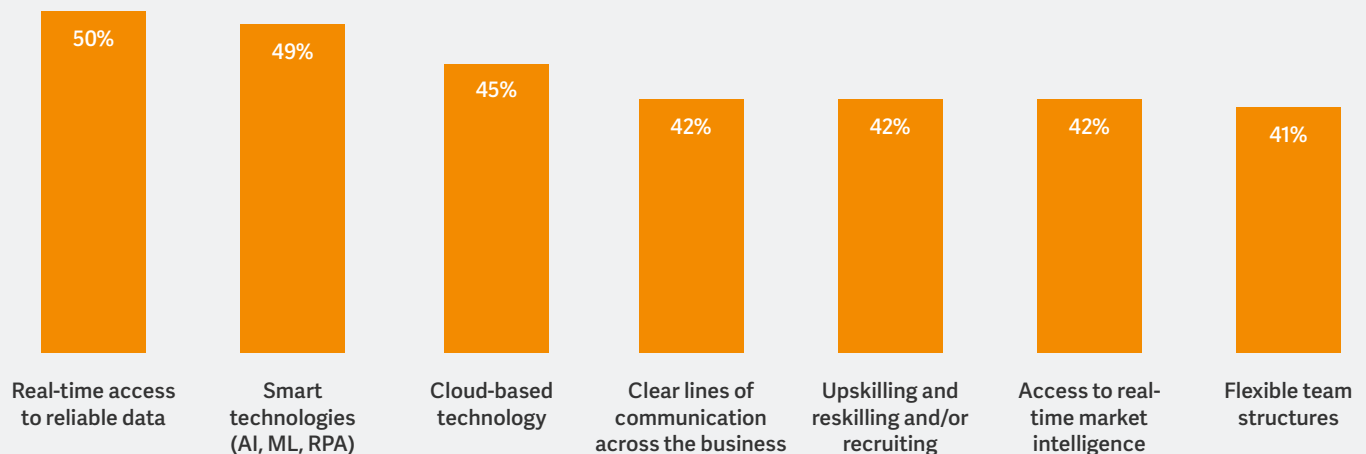
How to Become an Agile Organization

Some organizations are forging ahead and are benefiting from their agility during the crisis; others are getting left behind. How can the slow responders catch up with the fast responders? And how can all organizations ensure they are resilient beyond the COVID-19 pandemic, ready for whatever our changing world brings? And how do they harness organizational agility to accelerate their digital efforts?

Plan, Continuously

The year 2020 gave new meaning to the phrase "change is the only constant." As the global outlook continues to shift weekly, daily—even hourly—organizations must be ready to pivot to new opportunities and respond to unforeseen circumstances.

However, fewer than half of the firms we surveyed (43%) take a continuous approach to planning. This rises to 50% among the fast responders.

Those that do take a continuous approach to planning say that real-time access to reliable data (50%), smart and cloud-based technologies (49% and 45%, respectively), and an agile culture that promotes clear lines of communication and flexible team structures are enabling them to do so.

Real-time access to reliable data	Smart technologies (AI, ML, RPA)	Cloud-based technology	Clear lines of communication across the business	Upskilling and reskilling and/or recruiting	Access to real-time market intelligence	Flexible team structures
50%	49%	45%	42%	42%	42%	41%

Which of these factors have been most beneficial in driving your organization's continuous approach to planning?

Organizational culture	29%
Lack of communication across the business	28%
Inflexible legacy technologies	26%
Difficulty aligning the right internal stakeholders	26%
Lack of relevant skills	26%
Lack of capacity to deliver continuously	25%
Lack of access to real-time data	23%

What are the main barriers to adopting a more continuous approach to planning?

Among the firms that do not take a continuous-planning approach, 40% say that plans change occasionally but only under specific circumstances, and 17% say that planning cycles are pegged to concrete time periods. Perhaps unsurprisingly, culture ranks as these firms' top barrier to adopting a more continuous approach to planning (29%). According to the vice president of finance at a U.S.-based healthcare provider, a lack of alignment among leadership is one way in which culture can thwart the move to continuous planning. "We're in two camps right now," he says. "There are those who think we should shift completely to a rolling forecast, and those who see the annual budget as the preferred method."

It is a common problem. "Many companies struggle to move as quickly as they would like to, because the whole organization isn't agile," says Fin Goulding, agile expert, business coach, and author of *12 Steps to Flow: The New Framework for Business Agility*. "You may have IT teams that want to release product every week alongside other business practices that are not adaptive enough— financial planning and budgeting, for instance—because they often happen in yearly cycles and end up being at odds with what's happening now when you need to respond hourly, daily, or weekly."

"

Historically, we've been more annual-focused, but now we see that it could make sense to have rolling forecasts. It's no longer about just one forecast and whether you are on or off that calculation; now, it's a moving target.

Marten Mills
Finance Director Consumer Biosolutions, Novozymes

Provide Reliable Data for Real-Time Decisions

"Companies have to come up with an organizational design that makes sense for the world we're in," says Goulding. In a world where global teams are geographically dispersed and remote working is business-critical, that design must incorporate access to timely and reliable data at a self-service level.

We know that access to relevant data drives decision-making at all levels: 79% of business leaders in our survey say that this is the case. In addition to real-time, data-driven decisions, firms that report high levels of data accessibility also benefit from increased productivity (51%), improved visibility and communication at director level (43%), and cost savings (41%).

Our research also finds a correlation between data accessibility and responsiveness to the COVID-19 pandemic: more than one-third (36%) of the fast responders say that there is complete data accessibility within their firm, compared with just 13% of the slow responders.

Completely accessible	30%
Somewhat accessible	34%
Completely siloed	11%
Somewhat siloed	25%
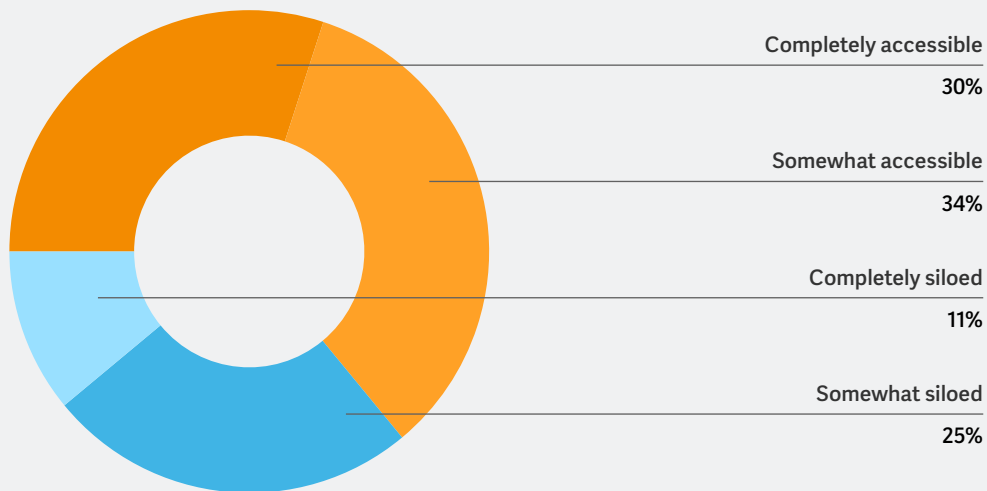
Which best describes your organization's approach to data access?

How exactly are firms enabling complete access to data for those who need it? Our respondents say it depends on accurate, reliable data (57%); cybersecurity, privacy, and/or compliance (53%); and data and analytics skills (53%).
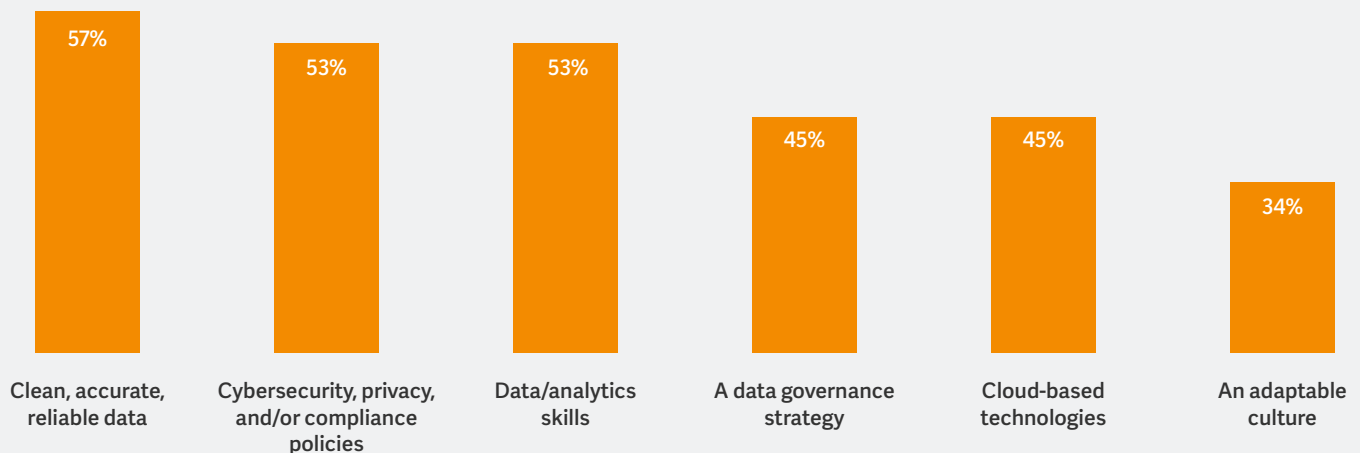
Yet data is completely or somewhat siloed in 36% of firms, and only somewhat accessible in the remaining one-third (34%). These organizations say that cybersecurity, privacy, and/or compliance concerns (34%), a heavy reliance on IT (34%), and inflexible legacy technology (28%) are their top barriers to improving access to data. In our experience, cybersecurity, privacy, and compliance challenges range from concerns over hacking and data breaches to complex questions of internal governance, such as who has access to data and how they get it.

To compound these barriers, 73% of firms say that their team is heavily reliant on IT for access to data and reports. Creating a single point of access to information can help to overcome this, but that is not easy when every application stores its data in a different way, says Chris Mawer, CTO, Asia Pacific at Huawei. "We're now at a point in digital transformation where organizations need to retool their applications, to speak the same language, or at least have a translation layer in the middle that allows them to share data."
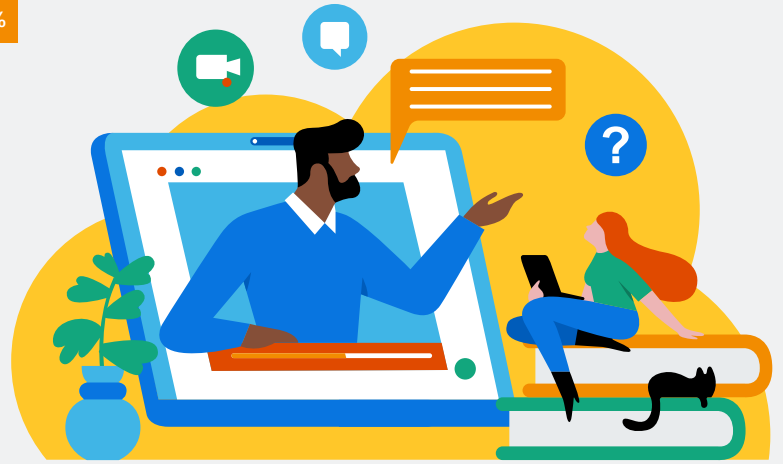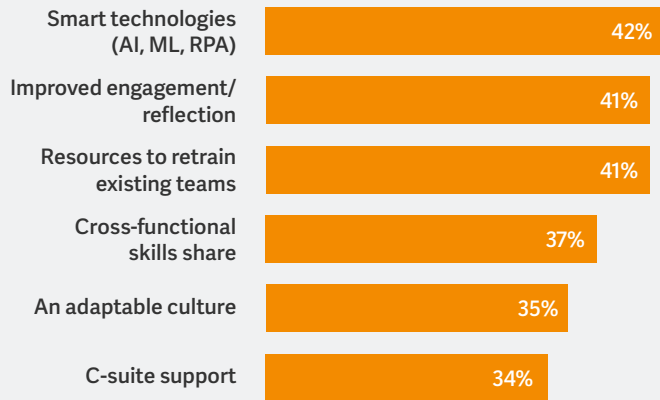
> "
> We're all on one HR system globally, and it makes it much easier to collect data. It's very important for us—from our dashboard, to our database, to our processes—that we're the same around the world, that we're consistent, and that we keep to that.
>
> **John Lemmex**
> Regional CFO, Covestro LLC

Clean, accurate, reliable data	Cybersecurity, privacy, and/or compliance policies	Data/analytics skills	A data governance strategy	Cloud-based technologies	An adaptable culture
57%	53%	53%	45%	45%	34%

Which of these factors have been most beneficial in enabling full data access within your organization?

Smart technologies (AI, ML, RPA)	42%
Improved engagement/reflection	41%
Resources to retrain existing teams	41%
Cross-functional skills share	37%
An adaptable culture	35%
C-suite support	34%

Which of these preconditions have been most beneficial to embedding new skills within your department?

Upskill from Within and Master New Ways of Working

Digital transformation demands digital skills. Respondents rank the ability to work with smart technologies as their most sought-after skill for the next five years (34%). It is also the skill they are most likely to say they lack.

What is stopping them from hiring the skills they need? Global market uncertainty was easily the number one inhibitor to recruitment in 2020 (45%). As a result of this, businesses are developing talent internally—by improving engagement and retention (41%), upskilling and reskilling (41%), and cross-functional skills sharing (37%)—instead of hiring to find the skills they need.

What's more, giving people the skills they need to work with new technologies is freeing up their capacity to take on different work.

"

We need more data-savvy people. Without them, it's difficult to implement any kind of analytic or automation capabilities. Clearly, we're going to use these kinds of technologies and it will impact what we need from a skills perspective.

Olli Hyyppä
CIO, NXP Semiconductors

From an organizational perspective, the rapid onset of the COVID-19 pandemic highlighted gaps in structural agility for many in our study.

Our research shows that not all were equipped to shift to new ways of working at speed and scale: 84% reported barriers to working remotely, compared to 16% that reported none. Lack of IT support and/or tools for remote working (22%) and cultural challenges—slow, bureaucratic decision-making (20%), lack of clear communication (19%), and cultural resistance to change (19%)—were the main barriers among firms. Promisingly, our research shows that the culture and structure of more than half of organizations is empowering employees to implement improvements in workflows and processes regularly (55%), and to work in cross-functional teams to deliver projects at speed (52%).

Roelof Kistemaker, Roche's chapter lead, People Rewards & Recognition, and chapter lead, People Insights & Technology, says that an agile mindset has been critical in ensuring that his firm's structure could become more effective and more productive in the face of the global pandemic. "Every structure and process is being examined, challenged, and questioned as to whether it helps us achieve our goals of bringing drugs and medical solutions to patients fast," he says. "The reality is, a lot of our controls are simply there because that's how the company was organized in the past."

Bell & Howell CEO Larry Blue, meanwhile, says that the role of senior management in shaping workplace culture is more critical than ever. "Some of the things we were doing to create a more innovative culture have been impacted because people are not together," he says. "We have to figure out a way to use technology to reignite that. It's more difficult because your culture is now you, your children, and your dog—not the workplace."

"

The question is, what skills will help people work remotely? Being comfortable with communication and speaking up about ideas is going to be really important, and then the ability to build trust. It's all about learning new ways to communicate virtually; otherwise, people will work in silos.

Holly Hon
Vice President of Operations, Enterprise Technology, Change Healthcare

Make Metrics Agile

The value of taking an agile approach to metrics and reporting is more pronounced during periods of uncertainty. But that is not easy. "It's so challenging to find the kinds of KPIs that are not lagging indicators, especially in a fast-moving environment," says Olli Hyyppä, CIO at NXP Semiconductors. "We know pretty well what has happened in the past, but it's much more difficult to create predictive KPIs or those that show we are doing the right things for the future."

Just 21% of organizations take a completely agile approach to analytics, continually updating metrics across the business. This rises to 25% among the fast responders. Crucially, highly integrated systems (53%) and smart technologies to increase the capacity for real-time evaluation (52%) are driving an agile measurement and evaluation among more than half of the 21% of firms that have adopted this approach.

Respondents say that analytical skills, cloud-based technologies, and an adaptable culture are critical in enabling the shift to agile measurement. This could explain why bureaucratic decision-making (29%), lack of analytical skills (27%), and lack of alignment between planning and evaluation cycles (27%) hamper agile measurement among the 34% of firms whose metrics are outdated and do not align with objectives, and the 44% whose metrics are updated periodically but do not align across the business.

53%	52%	48%	46%	44%
Highly integrated systems software	Smart technologies to increase capacity for real-time evaluation	Analytical skills	Cloud-based technologies	Adaptable culture
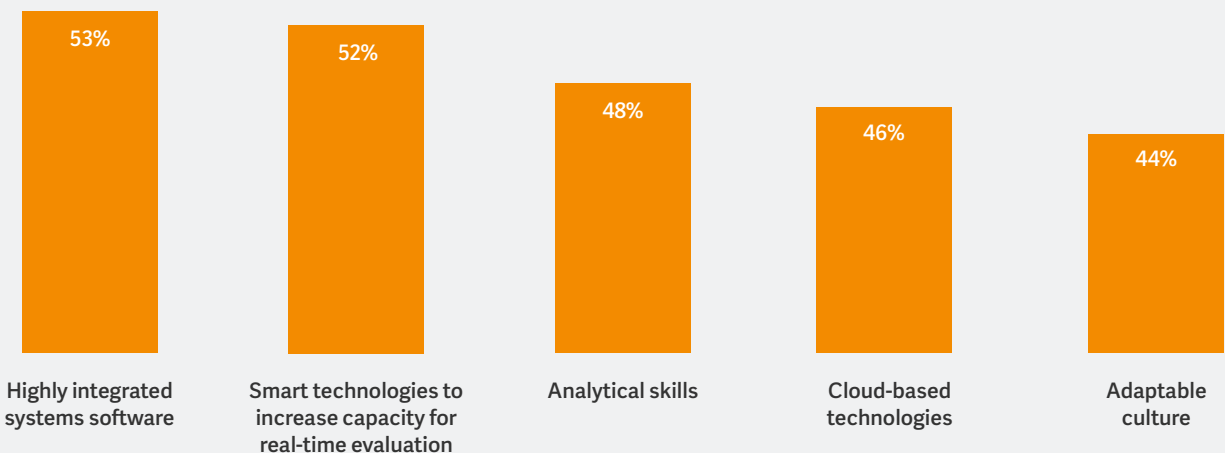
Which have been most beneficial in driving an agile approach to measurement within your organization?
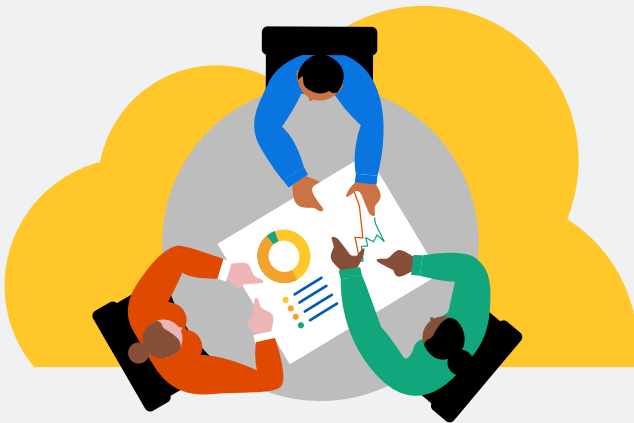
My organization's KPIs are not reflective of the digital era in which we are now operating	45%
The COVID-19 pandemic has rendered our existing KPIs useless	42%
We don't use KPIs or metrics to inform future initiatives	35%

To what extent do you agree with these statements when it comes to your firm's approach to metrics and reporting?

To improve their ability to plan, execute, and analyze with agility, organizations must ensure their metrics keep pace with their objectives. But 35% of firms admit that they do not use KPIs or metrics to inform their future initiatives. This rises to 45% among the slow responders.

The good news is that 42% say that alignment between planning, measurement and evaluation cycles has enabled them to shift to agile metrics, and 77% say that greater cross-functional alignment would increase standardization of metrics. "In large organizations, culture and KPIs play a critical role in driving this alignment," says Kevin Carlson, AECOM's corporate vice president, Digital Transformation. "We've created a culture where making smart digital choices has benefit," he says. "So rather than admonishing teams that don't comply, or don't do things we think are best practice, we encourage high-performing teams to take full advantage of our digital platforms."

Final Word: Agility Today, Resilience Tomorrow

The results of our research speak for themselves. They show that the organizations that responded fastest to the COVID-19 pandemic—our "fast responders"—were more likely to have embedded the best-practice capabilities deemed critical for organizational agility. And that, in turn, means they can accelerate their digital efforts. The fast responders share six core strategies, which make up our organizational agility roadmap:

1 **Smart technologies** are driving new ways of working, skills development, and digital revenue growth, which are deemed critical to resilience in the face of future crises.
Ask yourself: Have you deployed the tools you need to increase digital revenue growth and optimize agility within your business?

2 **An adaptable culture** enables firms to quickly pivot to new opportunities and unforeseen circumstances across all areas of the business.
Ask yourself: Is your organization adaptable in the face of change or uncertainty?

3 **Data accessibility** is critical in enabling real-time, data-driven decisions to be made at all levels of the business, as well as driving continuous planning and agile measurement.
Ask yourself: Is reliable data readily accessible across your business, enabling people at all levels to make decisions at speed?

4 **Analytical and tech skills** are guiding the uptake of smart technologies and the move to agile metrics, in addition to increasing workforce capacity and facilitating the shift to remote working at scale.
Ask yourself: Do you have the skills you need to optimize smart technology investments and close the loop on planning and evaluation cycles?

5 **Cross-functional teams** are key to upskilling and reskilling in the current climate, empowering employees to work at speed and scale in self-organizing teams.
Ask yourself: Are your people empowered to collaborate, sharing skills and knowledge across the business for agility and alignment?

6 **Iterating** on the digital acceleration imperative will help ensure that your organization can respond nimbly to whatever the world might bring. As the research findings make clear, agility and resilience go hand in hand.
Ask yourself: Have you examined how, or if, the technologies, processes, and policies put in place are scalable and sustainable? What have you learned about your own business, for good or bad?
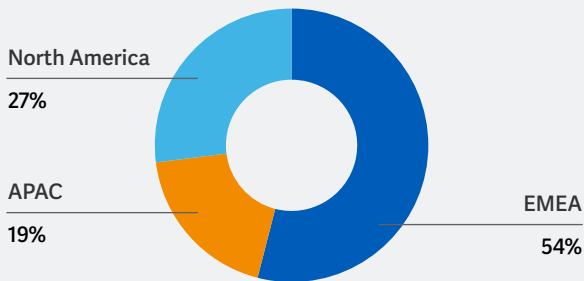
These questions help firms work out the best place to focus their transformation efforts. For many, it is a process that must begin at home. "Agility doesn't mean being risky; agility doesn't mean being reckless," says Jennifer Howard-Grenville of the University of Cambridge. "This is the hard work of leadership—to look inwards and ask: 'What have we got? And is there anything here that we can authentically work with to get to where we need to go?'"
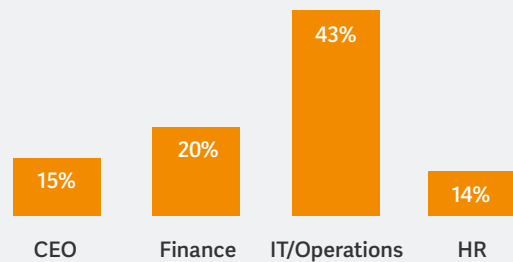
About the Research

The data in this report comes from a global survey commissioned by Workday and conducted by Longitude, a *Financial Times* company, in June and July 2020. The survey of 1,024 business leaders and senior executives (C-suite or their direct reports) investigated how businesses approach digital transformation strategy and execution, the capabilities they need in order to embrace an agile approach to transformation, and the impact of the COVID-19 pandemic on business performance and forward planning.

Respondents were based in 14 countries and worked across 12 sectors, with most from the financial services (18%), professional services (15%), and technology (10%) sectors.
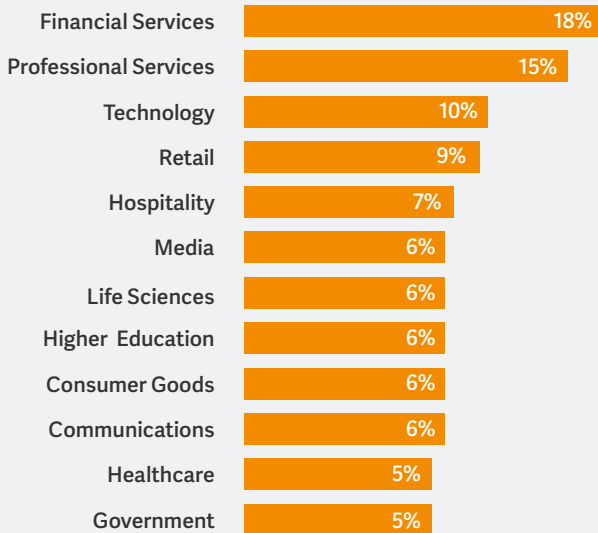
In addition to this quantitative research, Longitude carried out 15 in-depth qualitative interviews between June and August 2020 to find out about organizational agility in practice. Participants came from organizations that included AECOM, Aon, Huawei, Novozymes, NXP Semiconductors, and Roche.
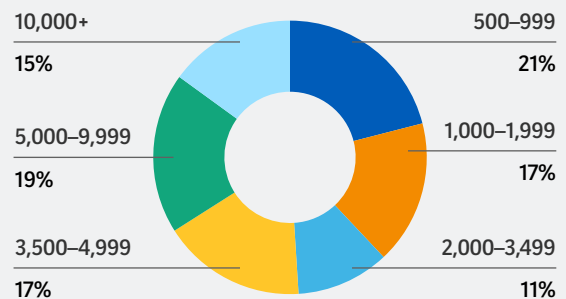
North America
27%

APAC
19%

EMEA
54%

Survey respondents by region.

CEO 15%
Finance 20%
IT/Operations 43%
HR 14%

Survey respondents by function.

Financial Services 18%
Professional Services 15%
Technology 10%
Retail 9%
Hospitality 7%
Media 6%
Life Sciences 6%
Higher Education 6%
Consumer Goods 6%
Communications 6%
Healthcare 5%
Government 5%

Survey respondents by sector.

10,000+ 15%
5,000–9,999 19%
3,500–4,999 17%
500–999 21%
1,000–1,999 17%
2,000–3,499 11%

Survey respondents by company size.

About Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources.

Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to *Fortune* 50 enterprises have selected Workday.

To learn more about our technology, visit: **workday.com/why-workday**