Ten Absolute Truths About Talent Management in Digital Business

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Analyst(s): Lily Mok, Diane Berry

CIOs, digital business leaders and HR leaders can apply 10 foundational principles and actionable advice to the design and implementation of effective talent management programs for digitalization.

Key Challenges

- Gartner surveys of CEOs, senior executives and CIOs repeatedly reveal that workforce, talent and skills issues are both a top priority for CEOs and a leading constraint of CIOs who desire to take a leading role in digital business transformation.
- Building and sustaining a successful digital business require transformational change in culture, mindset, leadership and workforce capabilities.

Recommendations

- Partner with HR leaders to renew the talent strategy and build agility, diversity, operational excellence and effectiveness in organizational constructs and management practices.
- Start with Truth No. 1: Define your vision and digital business strategy first!
- Stay focused: Identify critical factors to your digital business success, determine where the significant gaps are and select up to three areas to be your talent management priorities:
  - Truth No. 2: Acquire and develop digital competencies.
  - Truth No. 3: Adopt enabling, collaborative leadership.
  - Truth No. 4: Organize for agility.
  - Truth No. 5: Grow versatilists.
  - Truth No. 6: Promote diversity and inclusion.
  - Truth No. 7: Create a digital workplace.
  - Truth No. 8: Build an HR and IT partnership.
Truth No. 9: Develop and tap into the social capital of a talent ecosystem.

Truth No. 10: Reward teamwork and value contribution to business performance.

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Introduction

Building and sustaining a successful digital business requires transformational change in leadership, mindset, structure and workforce capabilities. Business executives, CIOs and HR leaders must work
together to renew their organizational strategies and talent management practices for acquiring and cultivating requisite talent, skills and competencies to make the shift.

Over the past few years, various Gartner surveys of CEOs, senior executives and CIOs indicate that workforce, talent and skills issues have been one of the top priorities of CEOs and senior executives. They are also a top constraint of CIOs and their IT organizations desiring to position IT to play a bigger role in digital business transformation.

This research summarizes 10 foundational principles drawn from more than a decade of fact-based research, interactions and case studies on organizations who have tackled the perennial challenges in IT organization capability development and talent management. The objective is to provide business executives, CIOs and HR leaders with actionable advice they can apply to the design and implementation of effective talent management programs for digitalization:

- Truth No. 1: A compelling vision and a clearly defined digital business strategy should drive every decision made about the organization and its people.
- Truth No. 2: Digital mindset and competencies, not technical skills, drive the digital edge in performance.
- Truth No. 3: Digital business demands a shift from command-and-control leadership to enable-and-collaborate leadership.
- Truth No. 4: Agility is the principle design element for organizing and mobilizing people for digital business.
- Truth No. 5: Most organizations don’t have enough versatilists to transform to a digital business.
- Truth No. 6: A diverse workforce generates diverse ideas and innovative solutions.
- Truth No. 7: Every digital business must have a digital workplace to drive employee engagement and effectiveness.
- Truth No. 8: An HR and IT partnership is critical to bring talent and business intelligence together to create an edge in digital business.
- Truth No. 9: A talent ecosystem must embrace "social" to cultivate digital expertise.
- Truth No. 10: Teams must be recognized and rewarded based on teamwork and value contribution to the digital business.
Analysis

Truth No. 1: A Compelling Vision and a Clearly Defined Digital Business Strategy Should Drive Every Decision Made About the Organization and Its People

Introducing and advancing digital business will require senior executives to lead with a digital business vision, then articulate the strategy to take advantage of opportunities as well as address challenges brought by digital technology disruption.

- In PwC’s 18th Annual Global CEO Survey, 86% of CEOs say that a clear vision of how digital technologies can help achieve competitive advantage is key to the success of digital investment.\(^1\)

- In the 2015 Gartner Digital Business Survey of IT, business and marketing executives, leaders ranked having a digital business strategy as the No. 1 critical success factor in digital business (see "Gartner Survey Shows Digital Business Leaders Breaking From the Pack").

A digital business strategy answers the question, "How will we survive and thrive in an increasingly digital world?" It’s becoming an essential part of any business strategy. A great digital business strategy provides an outside-in/inside-out analysis of six components that inform the enterprise business strategy:

- Digital context
- Opportunities
- Threats
- Gaps
- Capabilities
- Synergies

Without such a strategy, an enterprise is unlikely to survive the next five to 10 years (see "Let’s Get Digital: A Template for Digital Business Strategy").

Many IT organizations have become better at IT strategic planning. However, according to the 2015 Gartner CIO Survey, planning horizons at the majority of enterprises still barely extend beyond 12 months. Sustained competitive advantage increasingly depends on a longer-term view and a more formal planning process to examine how the enterprise’s workplace and technology investments, alongside related workforce investments, enable business success in the digital world.

To those who argue that digital business is too fast-paced for IT strategy and associated workforce plans to be effective, we respond that clearly defined digital business and IT strategies provide essential guidance on where and how the enterprise will conduct experiments to explore digital opportunities. In this way, the CIO and the IT organization can determine where and what to invest in talent and skills that will matter the most to the success of digital business.
After all, a compelling vision and a clearly defined digital business strategy get the whole organization behind it, create excitement about the change, and let everyone know where the organization is heading and how they can play a part in it.

While CIOs generally don’t own the digital business strategy, they can play an important role in digital business leadership by exerting their influence in helping CEOs and senior executives develop a digital vision, and leading the IT organization to execute on that.

CIOs can use storytelling to describe where IT is heading and the strategy to transform the organization for the future. Storytelling can also create a vision of digital possibilities beyond traditional IT to demonstrate and build broad understanding of digital across the enterprise:

- With 100+ years of heritage and accomplishments, American Cancer Society constantly challenges itself to continue to evolve and be better.

  The CIO recently led the IT transformation by first painting the picture of the organization sailing to Bora Bora. The strategy for getting to the final destination is first fixing the boat and ensuring they have the right kind of boat (organizational structure, systems, processes and people all together) to make their journey successfully (see "American Cancer Society Transforms IT to Improve Efficiency and Build Agility in Business Value Creation").

- The government of British Columbia discovered the importance of building digital understanding across the multifaceted divisions of government, particularly among senior leaders with long experience and a vested interest in traditional situations.

  Their starting point was to build change preparedness throughout the enterprise, using small but well-publicized demonstrations, and envisioning digital possibilities beyond the traditional internal clients of IT systems and business processes. As the fisherman in the bait shop said, "Don't ask what I want, ask what the fish want" (see "The New Leadership Team for Digital Technology").

Recommendations:

- Paint the big picture of the digital future. Create a digital business vision that tells the digital business story with a long-term view of how digital will change the business.

- Assess the breadth and depth of challenges brought by digital disruption to the business and the IT organization. Ensure your business plan includes guidance on how the enterprise and IT will respond to digital opportunities and threats.

- Determine the IT organization’s readiness to meet the enterprise’s digital vision, and the IT talent and skills available to support that. Take a long-term view; interlock digital business strategic planning with IT strategic workforce planning.

Recommended Reading:

- "Apply Strategic Workforce Planning to Digital Workplace Initiatives"

- "How to Develop An IT Strategic Workforce Plan"
Truth No. 2: Digital Mindset and Competencies, Not Technical Skills, Drive the Digital Edge in Performance

The technology advancement over the past decade has led to a drastic change in the role of technology in business, and the evolution of the IT environment from an IT-centric, industrialized model to a more business-centric, digitalized model. The IT professionalism, practice expertise and performance standards developed during the industrial era of IT are no longer adequate and effective in fulfilling the needs of digital business. The focus now is on building competitive edge through the implementation of customer-oriented, data-driven business solutions that can help transform the way an enterprise runs its business.

However, the temptation for many in building the digital business is to focus on technologies first and foremost rather than on people. Traditionally, the qualifications of an IT professional are measured by the depth and breadth of IT domain knowledge and skills that he or she possesses in order to competently deploy and manage technology products and services.

However, the successful design and implementation of digital business solutions are more than acquiring the technology know-how. For a digital business to effectively connect business, people and things to create new business value and enhanced customer experience, every individual or role in the enterprise and its IT organization must understand the dynamics of internal and external environments in which the business operates under, and how it serves end customers.

Building a successful digital business also requires a strong, change-aware culture and an outside-in mindset that enables the continuous adaptation of the organization’s vision, strategy, business model, technology, processes and people capabilities. To that end, IT professionals with a technical mindset and focusing on the mastery of technical skills alone will have limited role and impact on fulfilling that level of commitment.

Furthermore, digital business shifts the focus of IT to market- and customer-driven influences, rather than vendor or technology trends. This also means that CIOs must build teams with knowledge, skills and competencies that are closer to business than to technology in order to accelerate their plans to introduce new business models, digitally remaster their products and put great minds to work in innovation (see "Five Steps to Build Digital Business Dream Teams").

High-performing individuals and teams are not necessarily doing more of an activity, but they are doing things differently. Capturing desired behaviors and identifying the underlying competencies for differentiated performance provide business and IT leaders with a new focus for effectively finding, selecting and developing talent required to accelerate the establishment of a successful digital business. Competencies — such as business acumen, collaboration and teamwork, innovation, and risk taking — that were optional or "nice to have" in the past now become vital for IT professionals to succeed in digital business (see Figure 1 and Note 1). CIOs and business leaders must renew the talent strategy and programs to acquire, nurture and develop requisite workforce core competencies to make the shift (see the Acronym Key and Glossary Terms section).
### Figure 1. The Dozen Competencies That Will Shift Mindset to Think Digital and Act Digital

<table>
<thead>
<tr>
<th>Accountability</th>
<th>Digital Literacy</th>
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<tbody>
<tr>
<td>Adaptability</td>
<td>Global Mindset</td>
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<tr>
<td>Business Acumen</td>
<td>Innovation</td>
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<tr>
<td>Collaboration/Teamwork</td>
<td>Openness to Learning</td>
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<tr>
<td>Conceptual Thinking</td>
<td>Results Orientation</td>
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<tr>
<td>Decisiveness</td>
<td>Risk Taking</td>
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</tbody>
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*Source: Gartner (July 2016)*

**Recommendations:**

- Make Gartner’s 12 digital core competencies the integral part of your enterprisewide workforce profile requirements, from role definitions through to recruitment processes and performance assessment, to ensure you have the right profile of talent for the right purpose.

- Implement the processes to integrate competency models in all components of your talent strategy and practices.

- Conduct talent reviews and assessment across all business and IT areas to determine key strengths and identify critical gaps. Apply insights gained from the assessments to the development of a competency-based talent system that enables the organization to effectively source, develop and improve requisite workforce capabilities for the digital business.

**Recommended Reading:**

- "Ramp Up Workforce Performance Through Competency Development"
- "Creating Your Digital Edge Through a Competency-Based Talent System"
Truth No. 3: Digital Business Demands a Shift From Command-and-Control Leadership to Enable-and-Collaborate Leadership

Digital technologies are becoming integral to products, devices, services and critical business processes. Many of these technologies are outside the domain of the traditional IT organization. According to 2016 CIO Survey results, IT now only controls 58% of enterprise technology spending, and that number will reduce to 50% by 2017.

The traditional, hierarchical leadership structures helped advance IT from craftsmanship to industrialization by fostering an environment of accountability focused on risk mitigation, resource optimization and linear, incremental improvements. However, these command-and-control-based leadership styles are ineffective for the agile and innovative initiatives being trialed in many parts of the enterprise, and can hinder digital business transformation.

Digital technologies are everyone’s business, and digital decisions need to be embedded everywhere. Digital business leadership requires people with different agendas, mindsets and responsibilities to work collaboratively on creating business value. Gartner’s 2015 and 2016 CEO and Senior Business Executive Surveys clearly indicated that most CEOs see digital leadership as a team sport, and expect the CIO to play an important lead role.

To create business value in a digital world, CIOs and other business leaders must work together as "leaders of one" and trusted allies focused on building collaborative networks to widen their circle of influence, and to orchestrate and integrate digital initiatives throughout the enterprise and its ecosystem.
Enterprises seeking to master digital business transformation must adopt a dynamic, bottom-up and task-, role- and situation-dependent peer-to-peer paradigm that can leverage the creative power and combined wisdom of every individual in the organization (see "Digital Business Demands Leadership Networks"). This shift to an enabling, collaborative leadership model is exemplified in the following case examples:

- At Volvo Cars, the right person leads each initiative, regardless of organizational boundaries. As a member of the Volvo Cars innovation board, CIO Klas Bendrik is a very visible leader who leads internal and external stakeholders in digital technology governance, relying on vision and credibility rather than command and control (see "The New Leadership Team for Digital Technology").

- At dunnhumby, a U.K.-based digital customer science company, Group IT Director Lucy Sykes controls architecture and standards through consensus building, rather than direct authority. IT staff members are routinely embedded in product development and customer service teams (see "The New Leadership Team for Digital Technology").
At W.L. Gore, leaders have positions of authority because they have followers. Rather than relying on a top-down appointment process, they allow the voice of the organization to determine who's really qualified to be a leader, based on the willingness of others to follow.

Despite having no EVPs, SVPs or even VPs, Gore does have a CEO, who got the job in 2005 in a peer-driven process. The company operates as a "lattice" connecting every individual in the organization to every other, with associates acting as owners in the company, self-committing to what they want to work on rather than a boss or leader tell them what to do.

Recommendations:

- Understand the limitations of hierarchical, command-and-control leadership structures and the potential of collective, enabling leadership styles for transitioning your business to the digital economy.
- Determine what changes in culture, mindset and behaviors are required to successfully adopt the "leaders of one" model in your organization for new, digital business initiatives.
- Create, reconfigure and pilot leadership networks in launching new digital business initiatives. Select and acquire new talent with aptitudes and competencies to thrive in the "leaders of one" paradigm. Assess, groom and grow a pipeline of future leaders to build out the digital business value chain.

Recommended Reading:

- "Digital Business Demands Leadership Networks"
- "Leading From the Heart: Mode 2 and the Art of Leading Self-Organizing Teams"
- "Maverick*Research: From Command and Control to Conversation"

Truth No. 4: Agility Is the Principle Design Element for Organizing and Mobilizing People for Digital Business

The shift to an enabling, collaborative leadership model requires CIOs and business leaders to renew and improve their organizational structure to continually align with the evolving digital business demands. "How do we organize IT to meet the demands of the business?" is one of the perennial questions that every CIO faces on a regular basis. "How do we restructure IT to build and enhance our agility and innovation capabilities?" is also one of most frequently asked questions by CIOs searching for a path to transform IT in the digital world. A live poll during 4Q15 U.S. Gartner Symposium/ITxpo revealed that nearly 60% of organizations recently restructured IT with a key objective to improve agility, and another 30% planned to do so in the next 12 months.

There are different ways for enterprises and their IT organizations to achieve agility. Self-management is a workplace philosophy being embraced by digital businesses in growing numbers, with the goal of becoming more resilient, innovative and responsive to customer needs. More radical organizational styles like Holacracy are gaining more attention and being adopted by digital businesses like Zappos to shift from traditional, top-down, command-and-control management style to a "self-management" system, where employees are empowered. Acting like entrepreneurs,
distributed authority allows self-organizing teams to execute work autonomously. In Holacracy, which is a system of governance:

- There are no formally designated managers.
- Dynamic roles replace static job descriptions.
- Distributed authority replaces delegated authority.
- Transparent rules replace office politics.
- Rapid iterations replace big re-orgs.

Drastic culture, leadership and mindset change is required to adopt and succeed in the Holacracy model, especially for large, established organizations.

Another organizational framework for creating autonomy and an agile way of working is the one created and deployed by Spotify, a high-growth startup, which sought to create development speed that scales. Autonomy is key to the model, and Spotify places autonomous teams, or squads, each like a mini startup, at its center. Each squad:

- Owns its product (with a product owner who prioritizes work)
- Decides which processes to adopt to advance its objectives
- Decides when the product is good enough for customers
- Makes release decisions independently

Squads in related areas form "tribes," each with no more than 100 people — a size small enough to minimize bureaucracy, politics and restrictive rules. Enterprisewide "guilds" capture shared knowledge and skills with communities of interest, best practices and knowledge across Spotify. "Chapters" are formed by staff with similar skills and competencies, with chapter leads acting as line managers for development and remuneration management (see "Use a Systematic Organization Model to Scale Up and Grow Quickly").

Zappos’ Holacracy and Spotify’s agile squad model can be too extreme for many mainstream and conservative organizations to follow. There are less invasive and more pragmatic approaches worth exploring for reorganizing and mobilizing people for digital business. These include the use of SWAT or tiger teams and, more recently, the increasing adoption of the bimodal IT model:

- The U.S. federal government in mid-2014 launched a digital business center of excellence to concentrate expertise and to help federal agencies meet the digital government mandate. A small startup team within the U.S. Digital Service, called 18F, designs and builds the actual digital platforms and provides services across interested federal agencies. Not surprisingly, the startup team includes several people from the Healthcare.gov SWAT team (see "Ten Practices CIOs Can Use to Find the People and the Ideas They Need").
- Starbucks made significant organizational changes to enable its digital transformation. As part of the company’s 2008 turnaround, then-CIO Stephen Gillett created Starbucks Digital
Ventures: an internal, venture-capital-style incubator for digital technology. The unit remained separate from the company’s marketing and IT groups, but collaborated closely with both to drive innovation in the company’s digital strategy. In 2012, the company took its digital organization a step further, and made the SVP of digital ventures the CDO at Starbucks. It also made structural change to align digital team and tech team works into a more collaborative and innovative way, and use tiger teams/SWAT teams assigned to specific projects and goals.  

Nestlé in 2012 established the digital acceleration teams (DAT) to focus on digital marketing and to build out competence in three new capability areas that Nestlé needs: social listening, analytics and content.

The teams work like venture capitalists, managing portfolios, evaluating proposals and deciding where to invest time. DAT members come from around the world to tackle transversal projects, support business units in community management, and benefit from world-class training. They return to their home markets to transfer knowledge and transform local digital initiatives (see "Ten Practices CIOs Can Use to Find the People and the Ideas They Need").

**Recommendations:**

- Have a clear understanding of digital business demands and what role the IT is expected to play to contribute to the success of the digital business.
- Take a systematic approach to organizational redesign. Define business drivers for change. Understand the impacts of change on organizational culture, leadership, processes, people’s behaviors and skills. Lead with leadership and cultural change first.
- Organize around what you want to optimize. Identify key design elements for creating an adaptive IT organizational structure with the agility required to continually align with the evolving digital business demands.

**Recommended Reading:**

- "Build Clusters to Deliver Talent for a Bimodal World"
- "Five Steps to Build Your Digital Business Dream Team"
- "Hit the Bimodal IT Highway Now — Considerations for Structuring and Staffing"

**Truth No. 5: Most Organizations Don’t Have Enough Versatilists to Transform to a Digital Business**

As information and technology fuel business growth, the profile of IT professionals must evolve and expand to embrace business-IT expertise, customer insight, versatility and hybrid thinking. Successful digital business needs talent who:

- Are ready to change or adapt their roles as the situation requires
- Are able to gain depth of competence
- Can adopt a wide scope of new perspectives
Will build relationships — a web of support that cross organizational boundaries

We call this profile of talent "versatilists."

Most IT organizations today don't have enough versatilists to help the business exploit the pervasive digital connections between systems, people, places and things in the digital era. As revealed in the Gartner 4Q15 Workforce Management Survey results, there is a clear trend of IT organizations progressively increasing the percentage of IT workers with a versatilist profile, from an average of 21% today to 32% in three years. The larger increases of versatilists are expected to be in BI/analytics/information management, IT leadership and management, digital product leadership, architecture, and customer experience management.

While digital business will call for more versatilists in various IT functions, not every IT role requires a versatilist to fill it. Versatilists tend to be selected for roles at the intersection of business and IT (for example, business analytics) or those that are boundary spanning (for example, IT leaders and enterprise architects). For some back-office operational support roles, such as those in service desk or network management functions, they will continue to be staffed with generalists and/or specialists. CIOs and IT leaders need to develop a talent strategy that ensures a right balance of versatilists, specialists or generalists in key roles today and in the future, to enhance the ability of IT to successfully execute the digital business strategy.

**Recommendations:**

- Determine the mix of specialists, versatilists and/or generalists required in key IT roles today and in the future to execute digital business strategy.
- Conduct talent reviews and assessments across all business and IT areas to gain a clear understanding of the overall enterprise talent profiles, determine key strengths, and identify role assignments and team configurations that can help not only close critical skills gaps but also cultivate versatilists.
- Invest now in grooming and growing versatilists from within through centers of excellence, multidisciplinary teams, mentoring, project assignments, and job rotations for gaining knowledge, skills and experience across different business and IT disciplines.
- When recruiting for versatilists externally, be clear on what knowledge, competencies and experiences you seek, and avoid pursuing superhuman qualifications. Assess and look for candidates who possess the aptitudes and competencies to work across boundaries and disciplines.

**Recommended Reading:**

- "Inside the Concept of Versatilists: What Are They and How Do CIOs Develop Them?"
- "Five Steps to Build Your Digital Business Dream Team"
Truth No. 6: Diverse Workforce Generates Diverse Ideas and Innovative Solutions

In the digital era, diversity is no longer simply a matter of creating a heterogeneous workforce, but of using that workforce to create the innovative products, services and business practices that can set a company apart and give it a competitive advantage. Various surveys have shown evidence that a diverse workforce is essential to foster creativity, drive innovation and enhance business performance.

- A Forbes exclusive survey of large global enterprises indicated that 48% companies strongly agreed that diversity helps drive innovation.  

- A McKinsey study of 180 publicly traded companies between 2008 and 2012 showed proofs that for companies ranking in the top quartile of executive boards' diversity (measured by women and foreign nationals on the team), their returns on equity were 56% higher, on average, than they were for those in the bottom quartile. At the same time, the EBIT margins at the most diverse companies were 14% higher, on average, than those of the least diverse companies.

- In PwC’s 18th Annual Global CEO Survey, 85% of the CEOs whose organizations have a diversity and inclusiveness strategy say it has enhanced business performance and 56% say it has helped them compete in new industries or geographies.

A diverse and inclusive workforce is also crucial for attracting and retaining top talent in the digital era. According to U.S. Department of Labor projections, by 2020, there will be 1.4 million computer specialist job openings. However, university graduates can only fill 29% of those jobs. Complicating the situation further, the growth of digital businesses is creating a surge of demand for IT professionals possessing a new array of technology expertise (for example, social media, mobile, agile development) and nontraditional, multidisciplinary skills and competencies (for example, marketing, statistical analysis, behavioral science, anthropology). Executives have recognized that diversity in hiring is no longer for compliance purpose but becomes a necessity to broaden the pool of talent a company can recruit from in order to address digital skills shortage and competition.

According to 2015 Mercer/Gartner IT Jobs and Skills: Building the IT Workforce of the Future survey, 54% of survey respondents indicated that they have defined strategies and practices such as follows for improving diversity of their IT workforce:

- Develop community outreach programs; sponsor diversity-focused communities and interest groups.
- Establish social media presence; adapt recruitment practices to attract and engage diverse candidates.
- Provide coaching and mentorship programs.
- Conduct diversity-awareness training, foster communications and improve engagement.

Recommendations:
- Make diversity and inclusion a key part of your business strategies and everyday business practices.

- Review and understand how talent diversity issues are perceived in the enterprise, whether in the area of gender, age, ethnicity, religion, experience or opinion. Identify common barriers to diversity and inclusion, and develop action plans to tackle and remove them.

- Assess and identify technologies (such as workforce analytics) and processes for advancing workforce parity. These include, but are not limited to:
  - Facilitating objective talent review and assessment
  - Understanding typical career paths and advancement hurdles
  - Identifying unconscious biases in job ads and recruitment processes
  - Leveraging wearable technologies to understand workplace behaviors and encourage systemic change

**Recommended Reading:**

- "Service Providers Are Waging War Against U.S. Talent Shortage With Unconventional Methods"
- "Ten Practices CIOs Can Use to Find the People and the Ideas They Need"

**Truth No. 7: Every Digital Business Must Have a Digital Workplace to Drive Employee Engagement and Effectiveness**

In the digital era, the experience of employees facing a rising tide of technology is paramount. It impacts workforce productivity, employee engagement and customer satisfaction — all essential measures of a successful business. The employee experience within the workplace is directly linked to the employer’s decisions about workplace design, availability of technology to work more effectively, and organizational design dictating inter- and intra-team dynamics.

In the absence of a digital workplace strategy, CIOs and IT leaders will be out of step with the changing demands of employees, partners and customers in the digital era, which can lead to disengaged employees, marginalization of IT in digital business transformation and a competitive disadvantage of the business in creating differentiated customer experience.

While the nexus forces of mobility, analytics/information, cloud and social are acting as a catalyst for many digital workplace initiatives, these technologies are not implemented for the sake of technology, but to empower people with autonomy and choice to interact with the workspace and people around them. Increased employee agility, effectiveness and engagement are at the heart of a successful digital workplace. Some of the drivers that lead to digital workplace initiatives include the need to:

- Accommodate rapid changes in how work gets done including increasing volume of dynamic processes and nonroutine work.
- Drive creativity and innovation.
- Break down boundaries with partners and customers/constituents.
- Have a flatter organizational structure pushing decision making to the edge.

Digital workplace brings together business and IT leaders to promote workforce effectiveness by strategically responding to a series of interconnected societal trends such as consumerization, digital literacy, changing work models, information intensity, and a desire to share and collaborate. When done well, the digital workplace results in a shift toward a more open, dynamic and innovative work environment that attracts and motivates people to be engaged in what they do best and enjoy where they go to work. An engaged employee is more productive, more effective, and is more likely to make a discretionary effort, to go "above and beyond," and to do "the right thing." Engaged employees are also more willing to embrace new team structures that could contain resources inside and outside of the organization.

To accelerate the adoption of digital workplace, CIOs and leaders of digital workplace initiatives need to recognize actions that may trigger resistance to change and develop a change plan with tactics that help employees change to existing work practices and achieve the intended benefits of digital workplace (see "Accelerating Digital Workplace Momentum by Understanding How the Brain Works").

**Recommendations:**

- Use Gartner’s "eight building blocks" framework to create or review your digital workplace initiatives:
  - Vision, strategy, employee engagement, organizational change, process, information, metrics and technology.

CIOs and IT leaders:

- Assemble a portfolio of existing and new digital tools and services to better manage and amplify strategic responses to workforce and workplace changes.

IT, HR and business leaders:

- Work together to define digital workforce requirements, and implement a strategy to attract, develop and retain right skilled talent to enable digital workplace and digital business.

**Recommended Reading:**

- "Attention to Eight Building Blocks Ensure Successful Digital Workplace Initiatives"
- "Creating a Digital Workplace to Respond to Critical Changes in the Workforce"
- "Transform the Workplace With Focus on Bricks, Behaviors and Bits"
- "Working With HR on Digital Workplace Initiatives"
Truth No. 8: An HR and IT Partnership Is Critical to Bring Talent and Business Intelligence Together to Create an Edge in Digital Business

Sustained competitive advantage in the digital era increasingly depends on workforce digital literacies and digital technologies, requiring a longer-term view and more formal planning process to build enhanced digital dexterity of the workforce (see "Defining Digital Dexterity — The Core Workforce Resource for the Digital Business").

Furthermore, the primary objective of a digital workplace strategy is to boost employee agility and engagement through a more consumerized work environment so that the workforce are better prepared to face challenges in digital business transformation. Therefore, enterprises going through digital business and digital workplace transformations must closely examine how their workforce investments, alongside related workplace and technology investments, enable organizational success in the digital economy.

CIOs and digital workplace leaders will have limited success if they act in isolation within an IT silo. They must not only engage with business leaders and corporate strategy groups to connect their plans to broader strategic goals, but also work with HR leaders to balance technology investments with workforce capability investments, and to address a common goal around increasing employee engagement.

Digital business transformation will demand talent from all over. CIOs and HR leaders must be able to build agility and creativity in the planning, identifying, and orchestrating the acquisition and development of talent and expertise across boundaries, borders, communities and ecosystems. Making strategic workforce planning an integral part of digital business strategy planning will enable CIOs, digital workplace leaders and HR leaders to effectively evaluate, prioritize and gain support for business-critical strategic investments related to workforce capabilities, technology and workplace (see "How to Develop an IT Strategic Workforce Plan" and "Apply Strategic Workforce Planning to Digital Workplace Initiative").

It is also vital for digital businesses to establish strategic workforce planning process along with investment in workforce analytics capabilities. This will allow CIOs, digital business leaders and HR leaders to make more-informed workforce decisions that capitalize on social, economic, industry, business intelligence and labor market insights. They will then create a competitive edge in sourcing and developing talent, expertise, skills and competencies inside and outside of the organization. Here are few examples that showcase how companies establish strategic workforce planning process to drive their talent strategies and practices with the support of workforce analytics:

- Idaho National Laboratory’s (INL’s) IT organization rebranded itself as Information Management (IM) and adopted a strategic vision for 2020 that relies on a new way of thinking about workforce planning as a differentiating factor. The process ensures that the IM strategy is aligned with INL’s overall strategy and mission.

  After categorizing the strategic areas of INL, the team identified the IM services and skills that would be most beneficial in moving INL forward. The team also used scenario planning and its forecast modeling component to define services, skills and the evolution of both. In addition,
scenario planning helped the team to refine IM’s human capital management strategy to support INL’s key mission areas (see "New Skills for the New IT").

- CH2M Hill used strategic workforce planning to successfully align supply-and-demand-side business needs, and enhanced productivity while strengthening and growing its work pipeline. The company’s strategic workforce planning initiative takes advantage of real-time information about business activities, resources, company performance and other key factors to plan and stabilize staffing and resource allocation (see "Global Engineering Firm Uses Strategic Workforce Planning to Build a Sustainable and Better Workforce").

- Catalyst IT Services applies big data/analytics approach to identify the most influential and qualitative success indicators for developers/programmers and hires those individuals for agile projects (see "Service Providers Are Waging War Against U.S. Talent Shortage With Unconventional Methods").

- Boeing uses workforce modeling to predict talent gaps in its organization before they emerge. By tracking and modeling data on its company (including demographics and internal movements) and the economy at large, Boeing can better identify critical skills and analyze the supply and demand for those skills. It has a stronger grasp on its huge internal workforce and when it needs to ramp up the supply of talent to fill gaps, and also helps the company to minimize turnover in the long term.\(^7\)

**Recommendations:**

**CIOs:**

- Engage with business and HR leaders to establish a strategic workforce planning process; develop action plans to align talent supply with digital business demand. Set up an ongoing process to review and adjust plans to address changing business scenarios.

- Assist HR in investigating, evaluating and investing in workforce analytics capabilities; acquire and develop planning, analytics skills and talent management processes to improve IT workforce planning, talent sourcing and development practices.

**CIOs and digital workplace leaders:**

- Work with HR leaders to modernize core HR systems and processes (for example, recruitment, reward, training and development, and performance management) required to support the successful implementation of talent management strategies.

**Recommended Reading:**

- "Algorithms Will Transform Talent Acquisition"

- "How to Develop an IT Strategic Workforce Plan"

- "How to Develop Workforce Analytics Maturity to Increase Business Impact"

- "Human Resource Technology Option for Workforce Planning"
Truth No. 9: A Talent Ecosystem Must Embrace "Social" to Cultivate Digital Expertise

Digital business demands talent possess not only technical competencies but also behavioral competencies, business, customer and market insights. There are now far more business and technically savvy people working outside IT departments than inside — in the cloud and in the crowd. The Nexus of Forces has driven and enabled the creation of talent ecosystems that are borderless, interwoven and hypernetworked. In particular, social, collaboration technologies and tools now allow the forming of teams dynamically, connecting people internally and externally (for example, sourcing partnership, community of interests), spanning across disciplines and distances, for achieving specific digital business objectives.

This shift from viewing talent pools as static entities fueling a linear talent management process (from recruiting to retirement), to a talent ecosystem with dynamic, constantly evolving series of relationships that go far beyond conventional employee-employer models will fundamentally change how and where talent is found, sourced, connected and mobilized around the world.

At the same time, the influx of millennials into the workforce also demands digital businesses to embrace social networking styles in day-to-day business practices to effectively tap into their potentials, engage and motivate them for high performance. In 2015, millennials became the largest population in the U.S. workforce; and by 2020, millennials will comprise half of global workforce. Millennials are very social-oriented. This generation brought up on technology and in a borderless world has an innately different sense of how they work and interact with others. They want to stay connected, and they love working in teams. This desire to be connected, coupled with their awareness and sense of purpose, drives their needs for a digital workplace that is as fun and engaging, socially interactive, and dynamic as other facets of their lives.

Research has shown that digital business leaders have already started leveraging social software and social networking practices to quickly find, access, acquire and grow digital knowledge, talent and expertise. They are actively using a combination of internal staff, external partners, crowdsourcing, acquire-hire and hackathons/contests to build and tap into the social capital of a hypernetworked, global talent ecosystem (see "Survey Analysis: CIOs Are Reshaping IT Workforce Profiles for Digitalization" and "Ten Practices CIOs Can Use to Find the People and the Ideas They Need"). Some benefits of embracing social networking strategy in the creation of a talent ecosystem for improved recruitment effectiveness are as follows:

- Referrals from employees' social networks produce higher-quality candidates that are likely to remain with the organization longer.
- Data mining and social matching can help uncover hidden talent that traditional candidate sourcing strategies miss. The analysis of data gleaned from the social networks can also help validate proficiency and evaluate cultural fit for better-quality hires and improved retention in the long run.
- Recruitment marketing via social media can increase employer brand and visibility while messaging via social channels may be perceived as more personalized and "modern" than traditional email campaigns.
Here are a few examples that showcase how companies leverage social technologies and social networking practices to build a talent ecosystem and cultivate expertise for digital business:

- **Zappos** took a bold step by eliminating the formal posting of jobs and introduced talent communities for attracting and recruiting talent. People no longer apply for specific jobs. Instead, they register as Zappos "insiders" and align themselves with Insider communities in a dozen areas, including technology, marketing and creative services. Zappos recruiters who had previously spent their time sending out rejection letters now engaged with the insiders based on their expression of interests, profile and passion (see "Ten Practices CIOs Can Use to Find the People and the Ideas They Need").

- **Teach For America** uses a variety of social media channels to attract and recruit a diverse corps of outstanding college graduates and professionals who want to help bring about educational equity in the U.S. The channels include Facebook, Twitter, Pinterest, Google+, LinkedIn, Instagram and YouTube.

- **Saxo Bank** has reinvented the relationship between its customers and its experts. Its crowd of customers is leading its in-house experts with real-time guidance and expertise (see "Business Intelligence and Analytics Summit Opening Keynote: Bridging the Analytical Divide").

- The Mayor’s Office of New Urban Mechanics (MONUM) in Boston is the city’s innovation incubator, building partnerships between internal agencies and outside entrepreneurs and researchers to pilot agile projects that address residents’ needs. It reaches out to the community to find skill sets and knowledge that the organization doesn’t already have, then partner with those groups to pilot, refine and scale new approaches to improving the city (see "Mayor’s Office of New Urban Mechanics Cultivates Ambidexterity").

- **BECU** took a system approach to innovation, and engaged employees through an innovation platform to socialize and contribute ideas for improving customer services and operation efficiency (see "BECU Adopts a Human Approach to Innovation to Drive Employee Engagement in Business Value Creation").

**Recommendations:**

- Develop awareness about social software and social networking solutions for their potential impact on talent sourcing, engagement, development and performance improvement.

- Evaluate the effectiveness of your current sourcing and development practices in meeting your talent needs for digitalization.

- Partner with the marketing and communications leaders to align IT recruiting efforts with the company’s broader social media and networking strategies, amplifying the reach of social recruiting strategies.

- Adopt a mix of talent acquisition, partnering and grow-your-own approaches that match the enterprise’s needs for sustainability, flexibility, speed of change and risk mitigation. When sourcing new talent externally, explore new channels/approaches such as social networks; acquiring/hiring from digital business startups; and leveraging open-source software platforms, hackathons and contests for recruiting innovators.
Recommended Reading:
- "Boost Employee Engagement With Social Technologies in the Digital Workplace"
- "Enable the Opt-In, Socially Networked Workforce"
- "Survey Analysis: CIOs Are Reshaping IT Workforce Profiles for Digitalization"
- "Ten Practices CIOs Can Use to Find the People and the Ideas They Need"

Truth No. 10: Teams Must Be Recognized and Rewarded Based on Teamwork and Value Contribution to the Digital Business

As discussed in Truths No. 3 and 4, that traditional structured, boundary-defined organizational constructs and management practices will no longer sustain the ability of IT to adequately respond to fast-paced changes in customer, market and business demands. In place of formal structures, born-digital businesses and progressive companies have already embraced new concepts, such as rapid configuration work models, modular work arrangements, and leadership networks to build and nurture a hypernetworked organization where dynamic teaming, expertise sharing and seamless work are enabled, motivated and rewarded.

Because work in digital business is so frequently done in teams or in networks (which can be, by their nature, formal, informal, short-term or with varied participation levels), this means that performance and reward systems must change in order to effectively align goals, accountabilities and outcomes with rewards for individual and team performance.

Furthermore, the focus of performance and reward systems should no longer be only on the individual and whether or not they meet their objectives, but should shift toward and focus more on how to motivate and reward people for their participation in team efforts, and their contribution to the team and organization’s overall success, regardless of how their individual role and work may be organized or reconfigured over time.

In leading digital businesses, high-performing teams are constantly formed across boundaries, disciplines and distance. They are the enabling forces that drive innovation and new business value creation through technology. They place a significantly higher weight on business measures across all organizational levels. Linking the team’s performance to the digital business' goals and objectives ensures that the team’s success benefits the organization as a whole. For people to work together, especially when there are many conflicting priorities, teams need a very strong sense of purpose, an understanding of why they exist and how team members contribute to the achievement of its overall mission. Research of effective team-based reward programs demonstrates that several factors contribute to the high performance of teams. The team and its members:

- Are actively engaged and participate in the design and review of team performance, measures, goals and reward programs. People expect to participate on some meaningful level in decisions that affect them. This is especially important for building dynamic, team-oriented bimodal IT.
- Base rewards on a balanced mix of quantitative results and qualitative behavioral measures that the team and its members can collectively influence and achieve.
Ensure equitable sharing of rewards and consequences among team members. Higher team and member satisfaction is achieved when rewards are distributed equitably (based on value of role) than equally (same dollar amounts) among members. Be aware of the conflict between high-performing individual contributors and a low-performing team. Rewarding individual contribution independent of team results may be necessary to engage, motivate and retain exceptional high performers.

Provide rewards that are meaningful to the individual and fair to the team members and organization. The value of team-based rewards is often determined by the role, skills and knowledge the individual member offers that contribute to the achievement of team’s results. Selecting the right mix of rewards (such as incentive, recognition and promotion) is also critical to make them as meaningful as possible to the individual, and to use them in a manner that is consistent with the charter and purpose of a successful team.

Directly linking IT performance and measures to digital business performance and measures is also paramount to demonstrating the role of IT, its contribution and impact on digital business transformation. To improve the contribution of IT, CIOs and IT leaders must lead with cultural change (see "Driving Digital Business Transformation by Changing Culture"), build a culture of collaboration and drive change in behaviors — those that enable, facilitate, support and motivate people to contribute to the team and organizational success, regardless of how their role may be organized and evolved within the context of a constantly changing environment. They need to guide teams effectively to form and define their roles, establish overall goals and rules of engagement for interactions and resolving conflicts, and more importantly, ensure that team members develop skills and demonstrate effective behaviors to achieve high performance.

To build a nimble and high-performing IT organization, CIOs must work with HR leaders to revamp and ensure performance management practices that fit for the purposes of digital business. Various research and case studies — including Gartner’s — indicate that business and IT leaders are transforming performance management processes to support the changing demands of digital business (see "Rethinking Employee Performance Management in the Digital Workplace" and "Revamping Employee Performance for Bimodal IT"). Here are a couple of examples of born-digital companies that adopted performance management practices that focused on engagement, coaching and development for improved performance across individual and team levels:

- **eBay Analytics Platform and Delivery (APD)** — a 100-person division within the eBay China Technology Center of Excellence (COE) team — started its first Scrum pilot project in September 2008 — one of the earliest Agile pilots within eBay. Since then, the scrum team worked as a cohesive unit — crossing functional silos, holding each other accountable, and supporting each other to move forward and achieve the goal together.

  They implemented a new performance framework, which not only helped the management team get much more insight into each individual's performance, but also helped identify and address team-level issues. The framework has four main components: product success (which is shared by team members), peer feedback (which distinguishes among team members), self-development and management tasks.

  Among these components, the peer feedback within teams is a much more significant measure of individual performance. The team uses peer feedback, in an agile context, to evaluate
individual and team performance. They also use analytics and other techniques to visualize results at individual and team levels.  

- Netflix eliminated its annual performance reviews. Instead, managers and employees had conversations about performance as an organic part of their work. The company implemented 360-degree reviews and kept it simple: People were asked to identify things that colleagues should stop, start or continue.

  In the beginning, it used an anonymous software system, but over time it shifted to signed feedback, and many teams held their 360-degree reviews face to face. Managers at Netflix were told that building great teams was their most important task, not getting paper work done on time, because great teams accomplish great work. Managers need to envision the ideal outcome of what the team plans to accomplish in next six months and then identify the skill sets necessary to achieve it.

Recommendations:

CIOs and IT leaders:

- Work with HR to identify the elements of current performance management practices that must be redesigned to support the different focus and performance management needs of dynamic teams in digital business.

- Assess the organization’s cultural readiness for social, collaboration and knowledge management tools to improve transparency in performance management, and support frequent performance feedback, personalized development, and visibility of individual and team accomplishments.

- Determine what business performance metrics affect individual and team performance; adjust reward strategy, practices and tools to enable the focus and achievement of team- and organizational-level goals.

Recommended Reading:

- "Better Basics for a Business-Oriented IT Employee Performance Management System"
- "CIOs Must Partner with HR to Revitalize Compensation Practices to Compete for Digital Talent"
- "Rethinking Employee Performance Management in the Digital Workplace"
- "Revamping Employee Performance Management for Bimodal IT"
# Acronym Key and Glossary Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>bimodal IT</strong></td>
<td>Bimodal IT is the practice of managing two separate, but coherent, styles of work, one focused on predictability (Mode 1) and the other on exploration (Mode 2). Marrying a more predictable evolution and renovation of products and technologies (Mode 1) with the new and unknown (Mode 2) is the essence of an enterprise bimodal capability. Both modes are about change, both essential, both create value, and both must adopt an open, collaborative style of work aligned to priorities united by a shared and compelling vision of the future.</td>
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<td><strong>competency</strong></td>
<td>A defined set of characteristics of an individual that are observable, measurable and predictive of superior performance within a given role or job. They are “how” the job gets done.</td>
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<tr>
<td><strong>digital business</strong></td>
<td>The creation of new business designs by blurring the digital and physical worlds.</td>
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<td><strong>digital workplace</strong></td>
<td>Enables new, more effective ways of working; raises employee engagement and agility; and exploits consumer-oriented styles and technologies.</td>
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<tr>
<td><strong>talent ecosystem</strong></td>
<td>Consists of an extended and constantly evolving series of relationships that go far beyond a traditional talent pool and conventional employee-employer arrangements. It can include employees of outsourcers, workers of a joint venture or partnership, freelancers, and open-sourced or crow-sourced talent.</td>
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<td><strong>versatilist</strong></td>
<td>A professional who applies depth of expertise to a progressively widening scope of situations and experiences, gaining competence, adopting new perspectives, building relationships, crossing organizational boundaries, and building out a web of support and contacts.</td>
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# Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"CIOs Must Build Greater Business Acumen in IT for Digital Business"

"Defining Digital Dexterity — The Core Workforce Resource for the Digital Business"

"Enhancing Organizational Performance by Building an Effective Hypernetworked Environment"

"Gamification: Engagement Strategies for Business and IT"

"How to Use Workplace Analytics to Accelerate Business Performance"

"Improve Workforce Management Effectiveness to Enhance IT Performance"

"Maverick*Research: Socially Centered Leadership"

"People Analytics Underpin the Digital Workplace"
Evidence

1 PwC’s 18th Annual Global CEO Survey.


3 "Starbucks: Taking the 'Starbucks Experience' Digital." Capgemini Consulting. 23 April 2013.

4 The Gartner 2015 Workforce Management Survey was conducted via an online survey from 29 October to 15 November 2015 among Gartner Research Circle Members — a Gartner-managed panel composed of IT and business leaders. The objective of the survey was to explore bimodal and digital business from the workforce perspective. In total, 205 members participated. No regional, company size or industry screening or criteria were used. The survey was developed collaboratively by a team of Gartner analysts covering digital business and bimodal IT as they relate to workforce management, and was reviewed, tested and administered by Gartner’s Research Data and Analytics team.


6 "Is There a Payoff From Top-Team Diversity?" McKinsey Quarterly. April 2012.


8 "Millennial at Work: Reshaping the Workplace." PwC. 2011.


### Note 1 Core Digital Workforce Competency Descriptions

#### Table 1. 12 Critical Workforce Competencies for Building Digital Business Capabilities

<table>
<thead>
<tr>
<th>Competency</th>
<th>Description</th>
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| Accountability         | - Clearly defines mutual expectations of self and others.  
<pre><code>                    | - Takes appropriate actions to ensure obligations are met. Revises standards in response to change.                                                                                                       |
</code></pre>
<p>| Adaptability           | - Demonstrates flexibility within a variety of changing situations while working with various individuals and groups.                                                                                       |
|                        | - Changes own ideas or perceptions in response to changing circumstances.                                                                                                                                   |
|                        | - Alters standard procedures when necessary, and multitasks as required.                                                                                                                                     |
| Business Acumen        | - Demonstrates awareness of internal and external dynamics, and an acute perception of the dimensions of business issues.                                                                                    |
|                        | - Conducts research and identifies, collects and analyzes information about the markets, economies, technology trends, and business operation issues to make informed decisions.                              |
|                        | - Develops approaches and solutions that are clearly linked to the organization's strategy and goals for optimal performance.                                                                               |
| Collaboration/Teamwork | - Collaborates with other members of formal and informal groups in the pursuit of common missions, vision, values and mutual goals.                                                                        |
|                        | - Places team needs and priorities above personal needs. Involves others in making decisions that affect them.                                                                                               |
|                        | - Draws on the strengths of colleagues and gives credit to others' contributions and achievements.                                                                                                          |
| Conceptual Thinking    | - Synthesizes facts, theories, trends, inferences, and key issues and/or themes in complex and variable situations.                                                                                       |
|                        | - Recognizes abstract patterns and relationships between apparently unrelated entities or situations.                                                                                                       |
|                        | - Applies appropriate concepts and theories in the development of principles, practices, techniques, tools and solutions.                                                                               |
| Decisiveness           | - Assesses the scope and potential impact of an issue or opportunity.                                                                                                                                           |
|                        | - Uses business criteria and values to evaluate alternative courses of action.                                                                                                                               |
|                        | - Makes a timely choice based on the options and information available.                                                                                                                                       |
| Digital Literacy       | - Has the ability to effectively use digital technologies to access, navigate, evaluate, comprehend, create and share information, knowledge, ideas and expertise.       |</p>
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<th>Competency</th>
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<tr>
<td>Global Mindset</td>
<td>■ Possesses the awareness and openness to diversity of cultures and markets with the inclination and capabilities to integrate across diversity.</td>
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<td></td>
<td>■ Accommodates cultural differences and conveys respect for different perspectives.</td>
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<td></td>
<td>■ Listens with an open mind to fully understand and adapt behavior to accommodate others.</td>
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<tr>
<td>Innovation</td>
<td>■ Improves organizational performance through the application of original thinking to existing and emerging methods, processes, products and services.</td>
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<td>■ Employs sound judgment in determining how innovations will be deployed to produce return on investment.</td>
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<td>Openness to Learning</td>
<td>■ Takes personal responsibility for personal growth.</td>
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<tr>
<td></td>
<td>■ Acquires strategies for gaining new knowledge, behaviors and skills.</td>
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<tr>
<td></td>
<td>■ Builds on and applies existing knowledge.</td>
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<tr>
<td></td>
<td>■ Engages in learning from others, both within and outside the organization.</td>
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<tr>
<td></td>
<td>■ Tries new approaches and broadens scope of work to learn from work assignments.</td>
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<tr>
<td>Results Orientation</td>
<td>■ Sets and accomplishes challenging goals.</td>
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<td>■ Defines standards in terms of doing what is appropriate and doing it well.</td>
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<td></td>
<td>■ Competes resourcefully and takes calculated risks to achieve results.</td>
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<tr>
<td>Risk Taking</td>
<td>■ Handles changes and uncertainties with ease and with the ability to move forward quickly.</td>
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<td></td>
<td>■ Identifies and acts upon opportunities for continuous improvement.</td>
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<td>■ Demonstrates a willingness to make high-risk decisions when necessary.</td>
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<tr>
<td></td>
<td>■ Be able to act with minimal planning and to take actions in which the benefits to efficiency and effectiveness are weighed against potential risks.</td>
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Source: Gartner (July 2016)
GARTNER HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters
AUSTRALIA
BRAZIL
JAPAN
UNITED KINGDOM

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