

FEATURED BRIEFING

## Digital Capitalism

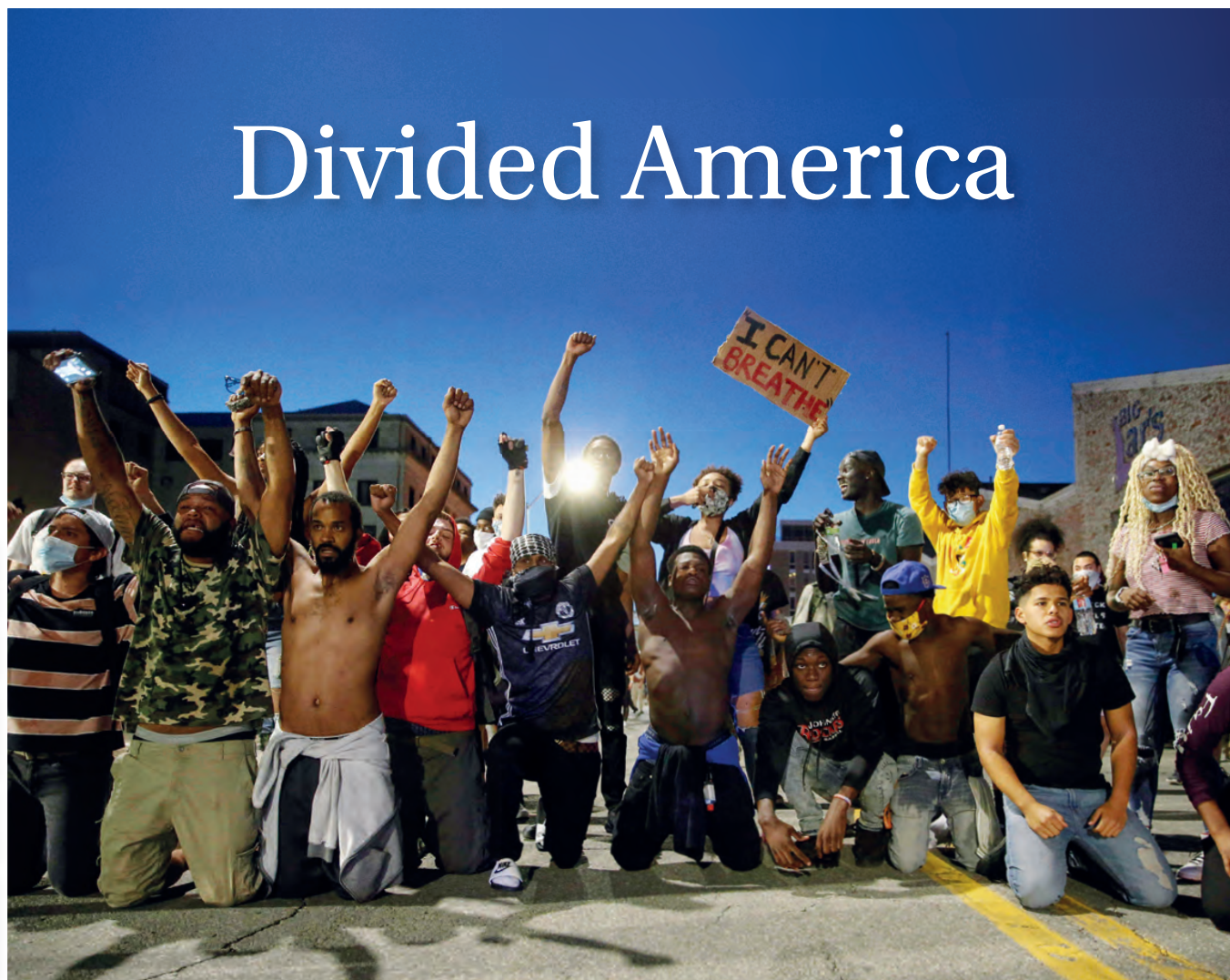
# Longitude #106

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## Divided America



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The risks of deflation - Japan unveiled

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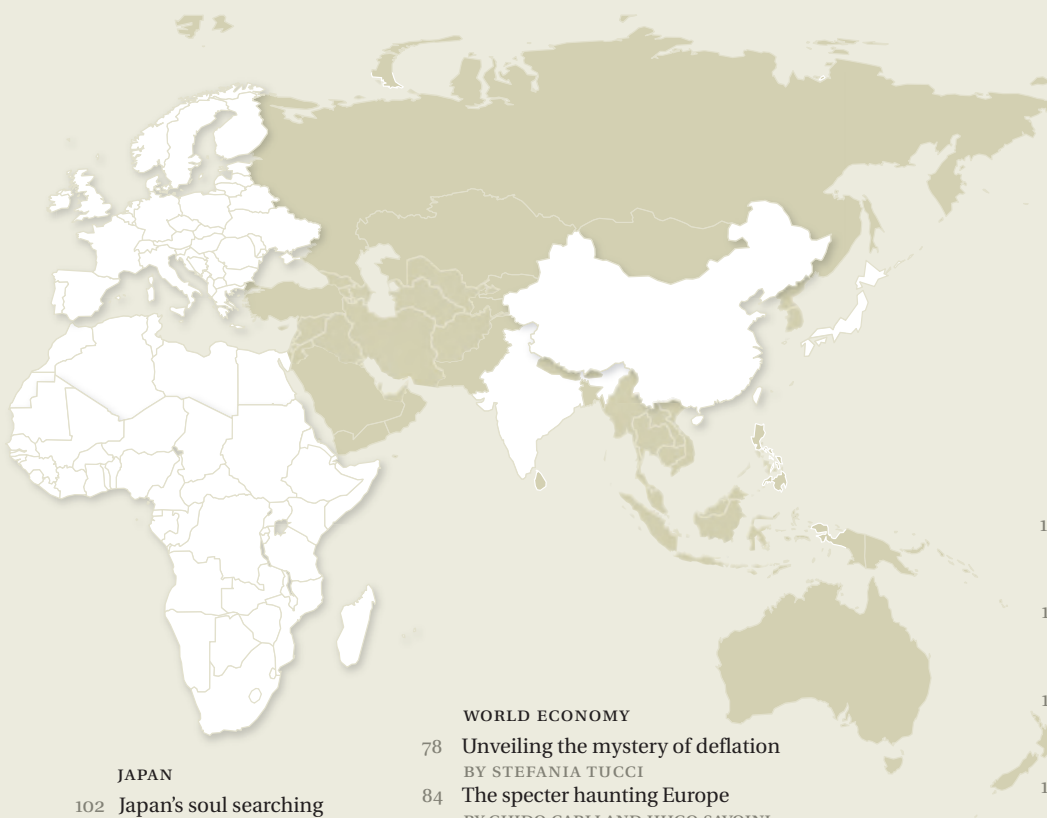
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# Building up business agility

BY ANDREA BIRAGHI

Post Covid-19 disruption knocks companies for transformation. That puts CEOs in pressure to take initiatives for leading the age. Envisioning organization requires hard-core decisions as it is all about the business reinvention.

**Learning to surf the wave of opportunity.**

It is a watershed moment for organizational strategy and 2020 is a decisive year in the world of service companies. One where attachment to traditional, deeply ingrained approaches to extract maximum value from competitive advantage for as long as possible – even when this advantage is in decline – is becoming a significant barrier to progress. One where outmoded slow-moving systems and processes are becoming a liability. Much of this is not only about enabling companies to be more agile, flexible and ready to seize the opportunity and therefore to survive and thrive. The continuous pursuit of new technologies, innovation, and improved capability around a focused vision has the potential to be hugely energizing, motivating and inspiring for employees.

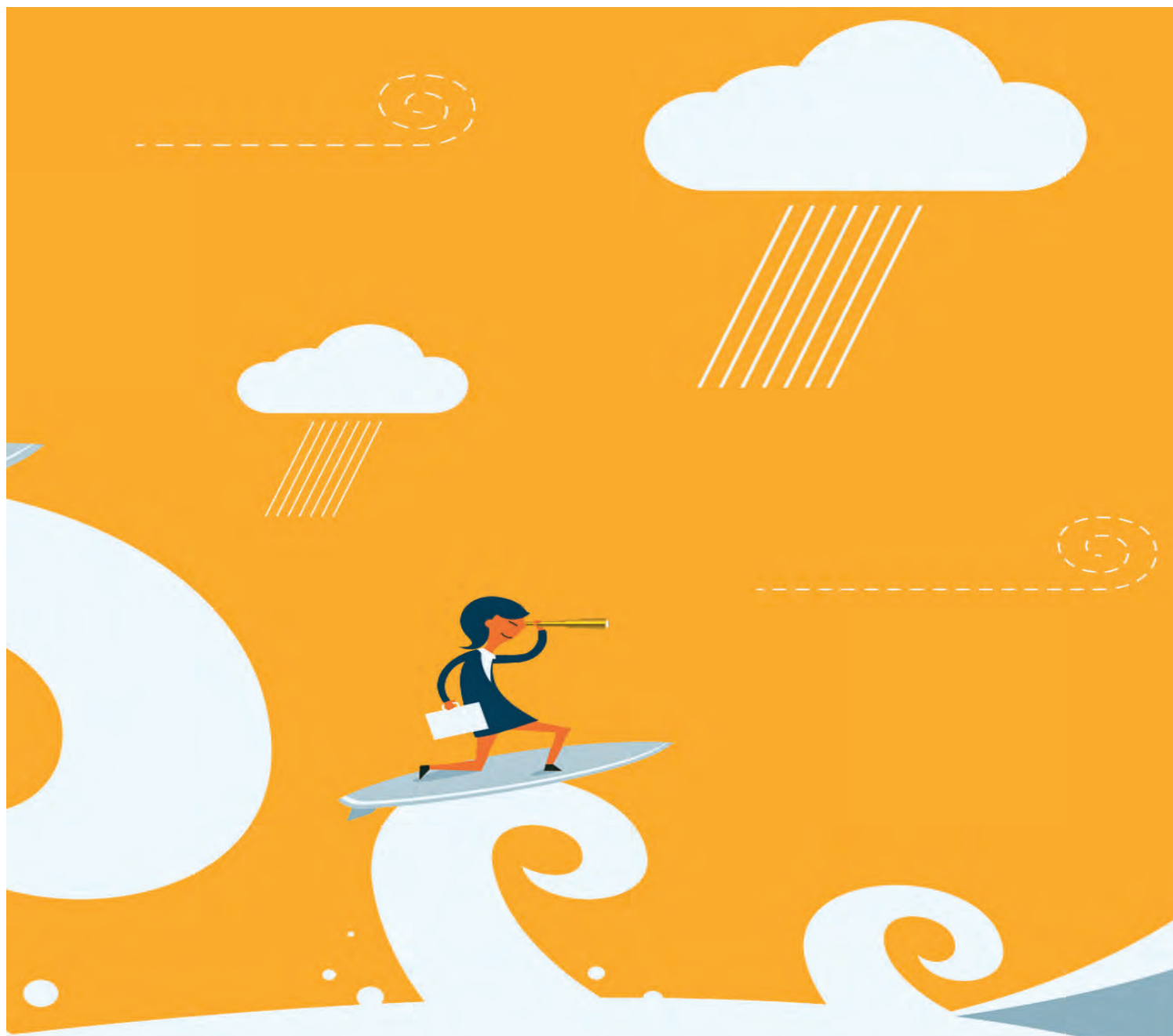
If navigating the current business waves is like riding a surfboard on a choppy sea of uncertainty, we need to learn how to surf the waves of opportunity. Companies anchored to an old method of operating, risk sinking. If, on the one hand manufacturing companies are closely linked to the production sites where employees work, on the other hand the whole world of digital and financial services economy has had to suddenly work remotely, through so-called smart or agile working. There are countries where this habit was much more developed, for example the Scandinavian peninsula where 21% of people were already working remotely in 2019. And countries like Italy where only 6% of workers had the opportunity to work from home. The global average of remote working in developed countries for this type of companies is around 15%, with a continuous growth rate in recent years.

In 2020, within two weeks, the world of service companies brought 90% of their employees into smart working, in all the countries affected by the pandem-



ic, with no appreciable differences among them. This impressive acceleration has brought several consequences, which impact directly on the whole of society, just think about the reduction of traffic in the cities, the time saved for commuting, the contact between colleagues that has become exclusively virtual, the need for managers to have to evaluate their resources by achieving the assigned objectives, rather than measuring their presence in the office. In the United States the reasons for justifying the choice of remote working are: greater productivity (many managers report that by working remotely the teams have increased their results by 28%), the reduced turnover (25% less than companies that do not allow it), employee satisfaction (many statistics report that in the US, employees with the possibility of working remotely are willing to even see their wages cut in order to have a flexible work schedule), the ability to attract talent (for millennials this possibility is a driver in choosing a job).





But in order to be efficient and prepared for this change, companies must also face important technological challenges, for instance the need to guarantee broadband for each employee, to provide IT tools for collaboration (sharing, video conferencing, cloud, etc.), to review the protection issue of computer networks and of intellectual capital. In Italy, Spain, France and Germany, most of the organizations were unprepared for it, especially for the protection of their data. The United Kingdom, due to its relationship with the US, is far ahead and better prepared.

Let's analyze two important aspects entailed by this change. First, looking at the cultural and organizational context, many companies have suddenly found they were able to perform well in this new modality, increasing the productivity and satisfaction of the employees, who manage to improve the personal work/life balance sheet. It is foreseeable that we will not go back, or rather that we will not return to the exclu-

sive model of office work. Jack Dorsey, Twitter CEO, in recent weeks has offered all employees the possibility of remote working forever. Google, Facebook and Microsoft have already announced that at least throughout 2020, employees will be working from home. This testifies that companies operating in hi-tech competitive markets such as social media and digital, are able to better operate by smart working. It will certainly be complicated for large, "old-style" organizations to reach such flexibility, but certainly it will never return to the pre-Covid-19 level.

Having 30% of employees working remotely would also mean that the current offices are oversized by 30% and if we think about the real estate market for business, it will have a huge impact, with a drop in demand for a third of the offer. Not to mention that it is a significant saving opportunity for companies. On the other hand, cities such as New York, London and Milan, that have built their wealth also on the real es-



Empty seats sit beside powered-down desktop computer monitors in the Deutsche Bank AG offices in Eschborn, Germany, on Monday, May 25, 2020.

tate market for businesses, will necessarily revise their construction plans. Another significant impact will be on the supply chain linked to the people who work in the offices – just think about catering with canteens, bars and restaurants, cleaning companies, taxis and so on. The reduction in the number of people in offices will also reduce traffic and crowding on public transport, especially in the so-called rush hours, for the benefit of the environment and quality of life. However, the psychological consequences caused by this lack of physical sociability are still to be explored, but due to the advantages already mentioned, it will be difficult to completely go back.

The second challenge is technology's growing spread. Equipping all employees with adequate tools to "simulate" their presence in the office to ensure the same level of productivity is a crucial point. But this is a pretty simple topic to deal with, it is a matter of choosing the best technologies, purchasing them and making them available to employees. Much more complex is data protection, the most important asset for all companies.

Data – patents, software, design and finance – rep-

resents the true wealth of a company, protecting them therefore becomes crucial to keep the organization competitive. Remember that cyber-attacks cause an estimated damage of 2/3 trillion dollars worldwide every year: stealing research and development is much cheaper and faster than creating them; it is a shortcut that is very often undertaken.

To protect a company or organization, the so-called perimeter exposed to attacks matters: the wider it is, the more complex its defense. Theoretically a company that has all data stored in a single server not connected to the internet and without any communication port is 100% protected, but it would be so inefficient from a working point of view, that it is unachievable. Companies therefore try to find the best compromise between security and work efficiency – increasing the possibility of accessing data through Internet connections, and moving data to cloud as a direct consequential choice. Remote working pushed to the maximum the consequences, and the so-called "surface exposed" to potential attacks has exponentially increased, reaching a level never experienced before. Should cyber security experts manage to ade-





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quately protect the infrastructures, even in this extensive new configuration, then smart working will continue and become a stable working mode. If instead the risk level (and the related cost) will become too high, only some sectors will be able to continue working remotely, while people working in the most critical assets will return to work in closed and therefore more easily defensible, perimeters.

It is not only a technological challenge, but also and above all, a human one. Cyber security has a very important human component: 90% of the attacks that are brought to organizations still go through incorrect employee behavior or through email phishing. So it will be fundamental to specifically train the workers. A dedicated organization, available 24 hours a day, will be crucial, given that people in "nimble" mode, work at previously unexpected times, while remaining always connected to the corporate network. Remote working considerably expands the exchange of emails compared to traditional office work: 47% increase during the two lockdown months compared to the same period of 2019. This consequently multiplies the risk of phishing, because having more

emails to read can inadvertently lead to opening the wrong one with disastrous consequences.

Companies must therefore plan the hiring and training of qualified personnel, equip them with the appropriate digital tools to fight this new and complex battle and must foresee the need to invest in Cyber Security part of the savings/earnings obtained by Digital Transformation, if they want avoid what could become instead a digital disaster.

This change, which companies have "endured" because of Covid-19, can gain momentum in their path to growth. If they manage to seize this opportunity without losing efficiency, profitability and competitiveness, then they will find themselves having achieved a significant part of the digital transformation process invoked, for many years, as the indispensable step to bring businesses into the future.

ANDREA BIRAGHI is Cyber Security and Digital Transformation advisor, and former Chairman of European Organisation for Security.

**Digital transformation is the process that will modernize business.**