

## **CEO SUMMIT 2020 – “LEADING EFFECTIVELY IN THE DIGITAL ERA”**

### **Joe Tarantino Presentation**

#### ***“Managing an Uncertain Future With Confidence”***

**September 2, 2020**

Hello, everyone. I am honored to visit with all of you today and I hope everyone is doing well. Having been to South Africa, I know that September is a beautiful time of the year there. So, I hope you are enjoying it, even though when I looked at my phone this morning today, it doesn't look as nice. It's a rainy day here where I live in New York today!

What a year this has been! This year – 2020 – has been a year many of us would just as soon forget. The scope of the COVID-19 pandemic has been beyond belief. Naturally, we all look forward to better days. But as we do so, we recognize the clouds of uncertainty on the horizon. And the pandemic is just one of a few crises that have contributed to that uncertainty.

To introduce myself, I was a partner at Andersen – a global professional services firm. I led Andersen's Financial Services Assurance practice for metropolitan New York and served on the North American and global leadership teams for the financial services industry and was there for 22 years, until we turned out the lights in May 2002. I have been with Protiviti – a global consulting firm – since its inception in 2002 and have been the firm's president and CEO for almost 13 years. One way to look at my background is, I spent the first half of my career leveraging a well-established global brand, and now, in the second half, I have been working with a great team of men and women dedicated to building a global brand. I have also now experienced three, four or five major crises in business, depending on whether you count the present one as one or three.

I normally travel 85% of the time, and my wife and I had an empty nest just last year, but I have now been working from my home office for six months and sharing the house with our two daughters, who have returned. It has been quite an adjustment to work amid family life, and I'm sure many of you are experiencing the same degree of change in your lives.

Having experienced the global financial crisis 12 years ago, I thought I had seen it all. But I never contemplated a pandemic that would literally shut down the economy and whole industries. I saw the uncertainty, fear and severe economic stress created by the financial crisis. But the COVID-19 pandemic has taken uncertainty, fear and economic stress to unprecedented levels. There is so much we don't know about the virus, and so many questions continue about the availability and effectiveness of a vaccine. We are all hopeful for a near-term solution.

As if COVID-19 and the ensuing recession it has created were not enough to make 2020 a year to forget, several incidents occurred in the U.S. that elevated the topics of social justice and racial equality to boardroom and C-suite agendas. These events force CEOs and our leadership teams into uncomfortable conversations at all levels of the company.

To sum it up, CEOs are functioning today in an unprecedented world. The uncertain business environment created by COVID-19 and the developing construct around social justice present as difficult an environment in which to run a business and plan for the future as I have ever seen. While the severity of the picture today varies by industry, my view is that CEOs are operating under extreme stress in a profoundly strenuous climate that has:

- Created unprecedented new workforce environments, concerns and anxiety,
- Invalidated the ability to use historical information and trends as a basis for supporting judgments and forecasts,
- Forced innovations that must be implemented in a fraction of the time it took prior to the pandemic, and
- Created a dynamic in which everyone must be comfortable being uncomfortable.

As we take stock of the environment we currently face, the question is, how do we manage uncertainty so we can face the future with confidence? While I certainly do not have all of the answers, I have had the opportunity to have many discussions with other CEOs and leaders over the last several months and would like to suggest five principles that I have found useful. Having faced several crises, I would say that I have observed that both the best and the worst in people come out in a crisis – which leads me to the first principle.

In today's environment, I believe the overarching first principle is, **put people first**. In our business and I'm sure in yours, that means a relentless focus on employees, clients or customers, and suppliers, vendors and advisers. Without these people, we don't have a business, and I think we now have a great opportunity to be building employee and customer loyalty by putting them first, being empathetic to their safety, well-being and needs, and creating positive memories.

In this environment, the first necessity requires an unequivocal focus on people's safety and health, followed by constant listening and frequent transparent communication.

I think it's also important to **communicate frequently, transparently and empathetically**. In periods of uncertainty, I do not believe leaders can communicate and solicit feedback too often. We should err on the side of too much rather than too little. And we should keep our people, customers, suppliers and stakeholders informed, explain the realities the business faces, and emphasize the positive as much as possible while also keeping it real. I also think it's acceptable to point out the things that you don't know and where you are still looking for answers.

Lastly, going back to my earlier comment, leaders should migrate toward the people who put their best foot forward and are team oriented during the crisis rather than those who complain, look for obstacles to blame and are individually focused. New leaders will always emerge, and it is worth mentoring up-and-comers during challenging times.

The second principle is to **innovate – and think outside the box**. This principle is especially meaningful when we recognize that we are at an inflection point, which presents an opportunity. An inflection point is a time in the history of a business when its fundamentals either have changed or are about to change. It presents an opportunity to take the business to another level, while, at the same time, it could be a sign of the beginning of the end. That is exactly what we are seeing today in different industries.

Today – out of necessity – everyone is having to rethink how they do business and expand their reach in the market. This is not a time to cling to business as usual or expect that things will return to the normal of the past. I have been impressed with how some companies were able to innovate their processes, products and services in a matter of days, if not hours, to pivot

rapidly in response to the market realities imposed by COVID-19 – in effect, accomplishing new innovations that might have taken months to implement prior to the pandemic. In his last earnings call, the Microsoft CEO said, “We’ve seen two years’ worth of digital transformation in two months.” That says it all.

I believe that the most resilient organizations think and act digitally at their core. They make high-velocity, high-quality decisions. Most importantly, they relentlessly focus on the customer experience and how to improve it continuously. All of these qualities contribute to an innovative culture.

The third principle is to **build trust. Putting trust front and center** in the organization’s vision is a powerful statement. In a world where trust is severely lacking at many levels, trust is the ultimate differentiator in a competitive market. One CEO told me that trusted relationships are a tie-breaker when selecting advisers and professional service partners. I believe this is true in any business, and we teach our youngest professionals the importance of building relationships and trust in their careers.

Without trust, leaders cannot face the future with confidence. The ultimate acknowledgment of trust occurs when **employees** stay with a company for a significant portion of their working career or **satisfied customers** put credibility on the line by referring our companies’ products and services to their colleagues and peers at other organizations. It’s a challenge to build but easy to lose – it is said that trust is built in drops and lost in buckets. It’s even more of a challenge in a totally remote environment.

How we as leaders behave, and the decisions we make, during challenging times also influence the level of trust inside the companies we lead. Protiviti has been fortunate to be named to the [Fortune 100 Best Places to Work For®](#) list for five years in a row. Through this process, we have learned of the importance of company leaders listening to their people with empathy, learning from them and strengthening bonds of trust across the company. But, in addition to listening and learning, leaders must act. That means implementing improved processes, measuring progress and establishing accountability for results – and, most importantly, doing these things in a manner that engages, and is transparent to, all employees.

The fourth principle is to **step back and focus on the relevance of your strategy – and plan for uncertainty**. During a crisis, it is easy to get immersed in the tactics of dealing with the day-to-day issues at hand. Sometimes it's easy to lose sight as to whether your business strategy will continue to be relevant once the crisis is over.

I have found it healthy and energizing to refocus the business strategy on how the company will remain relevant *after* the crisis. This forces a discussion on how to seize business opportunities created by the crisis itself and shed historical approaches that may no longer be relevant. Evaluating scenarios with different financial outcomes enables management to think through the levers that can be pulled during an economic downturn. This type of planning helped our business significantly when we did scenario planning after the global financial crisis. The exercise takes some of the emotion out of the equation when dealing with a crisis and also helps educate leaders who have never been through a crisis to understand what needs to be done in advance so that the organization is aligned and ready to act quickly.

As leaders, we should encourage our people to think bigger and increase the velocity of decision-making. We should empower those who are customer-facing and have innovative talents to make things happen. Given the fluid and uncertain situations we face, this is an opportunity to challenge employees to step forward and take the initiative. In turn, we should embrace their feedback and ideas, provided they are on strategy.

The final principle lays a vitally important foundation. I call it **preserve your company's culture and financial health**. When facing uncertainty and disruptive change, it is important to embrace an adaptive, ethical and trust-based corporate culture that aligns the company's strategy with its core values. A strong culture ensures that everyone pulls and pushes in the same direction. In addition, sustaining the organization's financial strength, stability and liquidity enables it to compete effectively, both now and in the future. Even when times are challenging, strong performers need to be rewarded and know where they stand in the eyes of their leaders. As leaders, we must operate the business and stay connected with customers and suppliers as best we can, using all the tools at our disposal, and retain as many of our key people as possible – no matter what the market conditions are. That enables our organizations to rebuild when the economy rebounds. As we face the future, I believe the ultimate test of leadership is viewing the

preservation of both the company's culture *and* its health as interrelated imperatives, not mutually exclusive objectives.

So, that is a summary of principles that I have found to be effective in periods of uncertainty. Recently, I noted a McKinsey quote that conveys how fast the market is changing in relation to historical e-commerce activity up to the onset of the pandemic. The quote – “We just jumped forward 10 years in 90 days’ time” – underscores the importance of continuously anticipating and adapting to market trends and consummating needed change *before* the case for change becomes perilously evident – which, unfortunately, is often too late in rapidly changing markets. Because I believe it is likely we will experience more change over the next two or three years than we have since the turn of the century, this mindset of “anticipating, adapting and changing” is not only key to how we manage uncertainty, it is also vital to our success going forward.

Let me illustrate five mega trends that I believe will reshape the world as we know it. These are trends that we must address to manage uncertainty successfully.

First, **post-pandemic customer and consumer behaviors will shift**, even significantly, in many industries. And many of us will need to adjust. For example, will the home-centric lifestyle people experienced during the pandemic and their concerns over personal and family health influence their preferences of products and services going forward? Will they have demanding health and safety expectations when physical interaction is involved? Will they take pause in deciding to travel or engage in social activities such as sporting events, theaters or large group celebrations?

In the U.S., we are seeing consumers make choices around convenience, e.g., home shopping and delivery, curbside pickup, live streaming, home cooking and other home-centric behaviors. As these customer preferences evolve, our companies must do everything possible to accommodate them. Therefore, we need to think about how the pandemic experience is likely to alter market expectations related to the products and services we offer.

*My takeaway:* A strong focus on the customer experience will lead to new innovations and differentiate offerings. Access to reliable market data and analytics regarding

customer/consumer preferences and behavior will guide our decisions as we innovate and adapt.

Next, **workplace design will be reimagined**. During the pandemic, we witnessed an acceleration of workplace redesign, increasing employee flexibility in many areas through a virtual work environment. This trend will continue, forcing many businesses to examine their workplace. For example, should we transition as many work activities as possible to a virtual work-from-anywhere environment – whether from home or in satellite offices or hubs? Should we cut down on nonessential travel? Should we focus more on holding people accountable for results than on where and when they work? What about parents with children if schools and daycare centers partially reopen?

Answers to workplace-related questions will vary by company and industry and depend on availability of technology and bandwidth at remote locations. They will have powerful implications to employee flexibility, pollution levels, commercial real estate use, the technology the business needs and the way talent is recruited.

*My takeaway:* In many businesses, the pandemic has proven that employees do not have to cluster physically in the same place to operate successfully. Maybe it's time we reimagine the reasons why we "office."

Workplace redesign is just the start. The **workforce of the future will undergo a sea change**. The traditional labor model is evolving to a diverse talent and technological ecosystem in which much of the organization's work will not be done by full-time employees. There are three dimensions driving this evolution. The first two – skills and scale – result from deploying more contractor services and flexible, part-time workers as demand fluctuates. These two dimensions are also driving increased emphasis on a diverse and inclusive culture because, without it, companies will not be successful in attracting the talent and skills they need to grow and expand. The third dimension – digital labor – is made possible by artificial intelligence, automation and robotics: McKinsey forecasts that this dimension may require between 75 million and 375 million people around the world to change occupational categories and acquire

new skills by the year 2030. With a range like that, the actual number of displaced workers will be a big one.

*My takeaway:* The three dimensions – skills, scale and digital labor – will impact work, jobs and wages significantly and continuously over the foreseeable future, forcing companies to rethink how they approach staffing and talent development and embrace enabling technologies to create value. For workers, the workplace of the future will call for technological, social-emotional, and higher critical thinking and cognitive skills.

We can also expect that **supply chains will be revisited**. The past 30 years of tight connectivity spawned by globalization have led to increased use of single-source strategic suppliers for highly specialized parts, modular sourcing, just-in-time manufacturing and delivery techniques as well as complex logistics. But times have changed. Repeated disruptions and quality failures have exposed how fragile, inefficient and opaque long supply chains can be. For a variety of reasons, shipping has become less efficient and reliable. As a result, inventory as a buffer is emerging. An economic model that relies more on local production to boost resilience and reduce the risk of shortages of critical goods in times of crisis has become palatable and, in view of the COVID-19 experience, even a necessity. To top it off, shortening supply chains reduces greenhouse gas emissions.

*My takeaway:* Going forward, companies are likely to consider reshoring, near-shoring and other measures to improve supply chain resiliency and reliability.

Finally, **industry dynamics are changing**. I have a hard time thinking of any industry that has not been impacted in a significant way by recent events. Every organization, regardless of industry, needs to be resilient in response to the market. I have a few comments on this point:

- In **service industries** such as ours, firms will need to determine the need for office space and how to use it as well as how to develop new customers in a more remote service delivery environment. The dynamics of relationship-building are changing.
- In **consumer products and retail** and **banks**, we can expect emergence of innovative contactless systems, including enhanced delivery services, online payment requirements and remote service options.

- “Brick and mortar” **retail** venues may have to double down on experiential retail and multiple channel retailing.
- With respect to **delivery and distribution** businesses and channels, we can expect expanding (if not exploding) demand in the market.
- While the **technology industry** experienced bumps in the road at the outset with supply chain disruptions as well as reductions in production due to mandated lockdowns, it is largely benefiting from the pandemic and expected to grow significantly over the next five years, but the industry will need to improve dramatically on the diversity and inclusion front to fully achieve its growth potential.
- On the **healthcare** front, telehealth visits, drive-through testing, remote care and touchpoints through patient portals are expected to become mainstays. And that is just scratching the surface: Machine learning may be used to develop vaccines faster and wearable devices to detect illnesses sooner.
- As for **energy**, the pandemic accelerated the timeline for renewables to overtake coal. In the U.S., it is likely that renewables have now permanently overtaken coal. With the decline in energy demand during the pandemic, the skies and waters cleared in many areas all over the world. This experience is expected to heighten the influence of environmental concerns in shaping energy policy over the next several years.
- In **manufacturing**, we can expect stronger emphasis on aligning offerings with customer needs and finding untapped market opportunities to drive new revenue streams and deploy excess capacity. There likely will be further shifts to digital B2B sales interactions and remote selling, and substantive efforts to improve supply chain resilience. Manufacturing will reshore and near-shore.
- The traditional **higher education** model is on the cusp of the most radical reengineering in its history. In the U.S., reduced enrollment is expected, especially international, with more commuting and an emphasis on virtual classrooms, smaller class sizes and social

distancing. Revenue-generating sports programs are being postponed. Many resource-draining programs may face the chopping block.

- As for industries dependent on crowding and concentrating people – **airlines, cruise lines, transit companies, restaurants, hospitality, gaming, professional sports and motion pictures** – they are a long way from completing the transition to the eventual “new normal” when physical mobility will not be restricted, safe distancing from others won’t be necessary, crowd caps will no longer be imposed and the risk of returning to lockdown because of a sudden spike in infections will be highly unlikely. That stark reality exacerbates the uncertainties associated with the future. For now, survival is the priority.

*My takeaway:* Regardless of industry, these are disruptive times. The key to managing uncertainty as we face the future is making our companies as resilient as possible. How our organizations respond to market forces will be a critical differentiator over the next two years.

I want to thank everyone for the opportunity to meet with you today. I know I covered a number of points, but permit me to share one more as I close:

To face the future with confidence, we must offer a compelling vision and purpose that wins the hearts and minds of our people. We must think longer term. And as we focus on the long-term interests of our shareholders, we should be mindful of the collective interests of our customers, employees and suppliers as well as of the communities in which we operate. The more our purpose resonates with, energizes and aligns our employees, the more impactful, enduring and powerful it will be.

I know that this is not easy. Rarely has there been a more demanding period requiring leaders to be flexible, adaptive, empathetic and transparent – in other words, be someone who people can trust. As leaders, we must bring the appropriate mix of optimism and realism to our communications and interactions with others and position our people to succeed as our organizations pursue a vision and purpose that both motivates and inspires.

So, it is up to each of us. I wish all of you good luck and best wishes for your continued health and safety and for the success of your respective organizations going forward.