

Leadership at all levels
Leading TMT organisations
into the digital future



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About this research


In developing this paper, Deloitte LLP and Spencer Stuart have combined perspectives from interviews with a number of leaders from Technology, Media and Telecoms clients with their own expertise and experience of developing leadership at all levels in organisations.

This paper is the second in the 'Digital Leadership' series, which explores how TMT organisations can develop the agility to successfully navigate the digital transformation whilst developing the new skills and capabilities required for the digital economy. The first paper in the series, called 'New Shapes and Sizes', explores organisation design and can be downloaded at: www.deloitte.co.uk and www.spencerstuart.co.uk

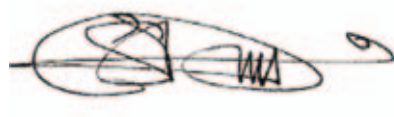
Foreword

Digital is revolutionising the technology, media and telecoms (TMT) sector, acting as a catalyst to change business models and putting increased focus on Leadership to guide organisations through the change. In developing this paper, Deloitte LLP and Spencer Stuart have combined perspectives from interviews with a number of leaders from TMT clients with their own expertise and experience of developing leadership at all levels in organisations.

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Ed Shedd
Leader, Global Media Practice



Grant Duncan
Head of Media, Spencer Stuart

Executive summary

"We don't need someone who just breaks eggs; we need someone with a ferocious intellect who can set out a clear and compelling vision and align people and their behaviours to it."

Rona Fairhead, Chief Executive Officer,
Financial Times Group.

Digital has been a double-edged sword for Technology, Media and Telecoms (TMT) organisations. On the plus side it has created many new avenues for growth amongst a connected and technology-savvy consumer base. On the flip side, it has suddenly and drastically reduced the effectiveness of business models that have sustained the industry for decades. The recent downturn has added to the pressures resulting from these structural shifts by draining balance sheets of cash and organisations of the resources to effect change.

Never has the call for leadership been stronger. Now more than ever, organisations need leaders with the ability to galvanise a group of people to work together on tough problems, many of which have no known solution. We define leadership as a set of actions or activities, rather than as a position or the unique character of a visionary. As such, we argue that leadership is needed across TMT organisations as they tackle the multifaceted challenges of the digital transformation; leadership is needed at all levels.

Traditional players need to overcome significant cultural barriers as they look to change working practices that have thrived for many years. Leadership is about helping people to transition past these existing ways of working and seeing the world, it is about adapting organisations for the new environment they are facing.

TMT leaders have been, and continue to be, challenged to demonstrate a set of skills and insights that are new to almost all of the current leaders across the industry. They need to navigate their organisations through incomparably tough market conditions whilst also repositioning and transforming them.

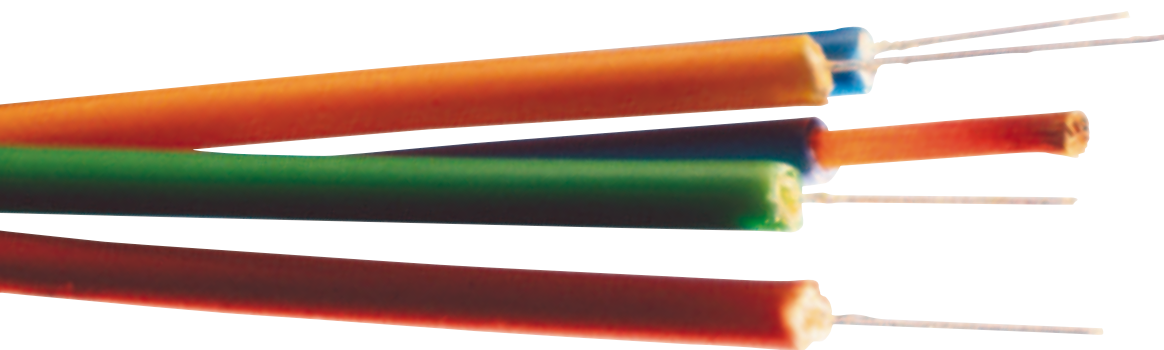
"You can put all the checks, balances and controls in place but unless you change the culture it will be meaningless. Unless there is real leadership that stands up and talks about digital, that lauds it, that boycotts award ceremonies unless they have online awards, that sponsors online awards, it won't become a digital culture."

Malcolm Wall, former Chief Executive for Content,
Virgin Media.

Many leaders are still struggling to make complex choices about the future of their business, to articulate a convincing narrative of what digital means for them. TMT organisations need to develop leadership at all levels so that the right people can take key decisions around business model and product innovation. Traditional organisations need to develop agility to manage the transition to a new market place which is defined by consumers whose consumption habits and demands are ever-changing.

"I've been in this business 12 years and for the first 8 years we were ahead of our customers, delivering multi-channel, PVRs, high def, etc. As an industry we are now behind our customers' expectations and demands – devices have changed everything."

Mike Darcey, Chief Operating Officer, BSkyB.



This is the central challenge for chief executives and their management teams. What mix of approaches will enable them to successfully navigate the road out of recession and to transform their organisations to keep pace with their consumers? This is a question that can only be answered by the executive team. We believe that it can be broken into three broad topics:

1. Reshaping organisations, rather than uniform cost reduction approaches or the closing down of legacy businesses.¹
2. Increasing innovation (both product and business model), at all levels of the organisation.²
3. Building leadership at all levels – the subject of this paper.

The UK TMT industry demonstrates enduring strengths in creativity, quality, and dynamism. The UK creative sector consistently punches above its weight in the international market. A third of all television format sales around the world are created in British Production companies. The sector is a major part of the domestic economy contributing 6.4% of GVA. Furthermore it continues to be a leading export success for the UK. In order to maintain this position, senior leaders will need to demonstrate leadership in four dimensions – developing the **insights** necessary for successful change within complex systems, building the **cognitive skills** to manage effectively in demanding environments, and encouraging the **emotional intelligence to motivate** their people.

By bringing these three dimensions together, leaders must **build leadership at all levels**, developing leadership capability throughout the organisational hierarchy and ensuring that legacy structures do not impede the ability of individuals across the organisation to exercise leadership.

Using the media sector as an anchor, this paper identifies explicit actions for TMT leaders to improve leadership within their organisations in the digital age, quoting a wide range of successful TMT leaders throughout.



The leadership challenge for TMT organisations

In researching this paper, Deloitte and Spencer Stuart interviewed leaders from some of the UK's largest TMT firms. The theme of these interviews was the Digital Transformation and the impact it is having on their businesses. A consistent theme emerged: digital is changing the TMT world, and many organisations are not changing quickly enough.

"We came to the conclusion, maybe an obvious one, that we are confronted with a real revolution. In the future digital will be compared to electricity and the consequences it had on people's lives and on society. It is not only the change in the media landscape, but the way people will be educated, will learn, will communicate, make friends, shop, work. Everything in their daily life will be impacted by the development of digital. These changes will be dramatic. And accordingly nothing short of dramatic change will do for our organisations, structures, talent pool, etc."

Maurice Levy, Chairman and Chief Executive Officer of Publicis Groupe.

TMT leaders are challenged by the financial climate, the emergence of digital technology, consumers' demands for improved services at lower cost and increasing competition from new market entrants.

The economic downturn was a record recession and has arguably created the harshest conditions since the end of the Second World War.⁴ The budget deficit will exceed £150 billion and national debt will peak at over 70 percent of GDP despite implementing real cuts in public spending. This has been a tough recession for some TMT organisations (see figure 1 on the right).

Furthermore there are many new competitors in an ever converging market pace. Technology firms such as Google now deliver vast volumes of media and aggregate even more, whilst social networking sites capture eyeballs that once belonged to the traditional media. In response to the availability of new, on-trend services, consumer interest is moving ever further and faster than traditional organisations have necessarily anticipated.

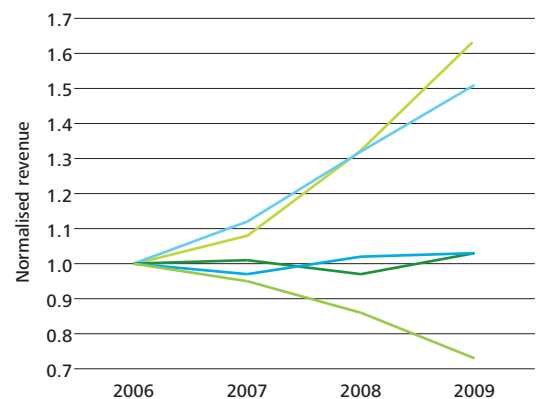
"19 year olds use media inter-changeably, listening to the radio on YouTube, watching a movie on their iPod – yet media organisations keep different types of content production in silos – music, TV, film divisions etc. We just haven't moved with our audience".

Martin Morgan, Group Chief Executive Officer, DMGT.

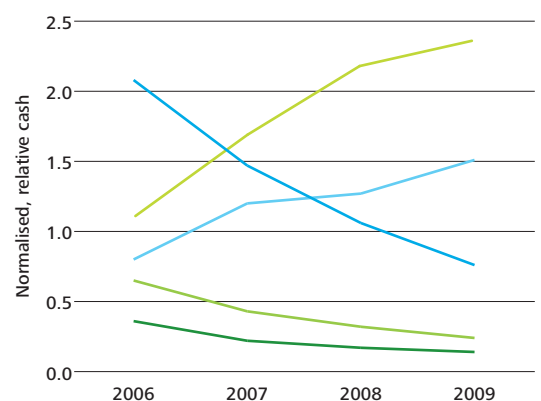
The recent cyclical economic downturn has been severe and although there are signs of recovery, structural challenges remain for media companies from disruptive technology and business models.

Figure 1. The impact of the recession on the TMT sector

Revenue evolution of an index of leading international media companies, by market sector (2006-2009A)



Evolution of relative available investment cash of an index of leading international media companies by market sector (2006-2009A)



- Press
- Film
- Technology
- TV
- Gaming

Against this tough backdrop, the need to deliver high quality programmes, technology and customer service will become ever more critical. Despite revenue and profit reductions – and because of the advent of digital technology – consumers expect easy access to high quality products at a lower cost. Consumers expect to be able to get content when and where they want it. Broadband users want fault free, high quality service, at a low cost. And mobile phone users expect exemplary data and voice services wherever they are.

Four key themes emerged from our interviews, which highlighted the leadership challenge facing TMT organisations. These four themes throw up the following questions for leaders of TMT organisations:

1. **Vision & Identity.** Have I got a clear understanding of how to change my organisation to maximise the opportunity from digital?
2. **Business Model.** How do I evolve my business model to integrate digital successfully?
3. **Organisation.** How do I organise to take advantage of digital? What are the capabilities I need? How do I acquire, grow and nurture digital talent?
4. **Innovation.** How do I create an environment where innovation drives my organisation forward?

In the following pages, we will reflect on these questions and offer solutions based on the combined experience of our interviewees and our own knowledge and expertise.

1. Vision and identity

Have I got a clear understanding of how to change my organisation to maximise the opportunity from digital?

The decline in revenues resultant from the economic downturn provides media organisations with a strong rationale to drive digital change. Urgency and a fear of death provide the catalyst to re-shape businesses. To take advantage of this opportunity, it is vital that digital is a core part of the business strategy. For this to be the case, senior leaders must define a clear vision for digital within their organisation.

Local press is a great example within the media industry of where a real threat to survival has galvanised radical change to the traditional business model.

“If you look at local press, in many ways you see a more rapid evolution ... Maybe it’s because they’re looking over the precipice. They got to a point 18 months ago where you had to have your head really deep in the sand not to know that you had to change rapidly to survive.”

Martin Morgan, Chief Executive, DMGT.

It is clear that digital is, or will become central to the future success of established media organisations. Although some parts of the industry face immediate extinction, others are caught in a Catch 22 situation, where inaction will certainly lead to a long, slow decline in fortunes, but radical action could either save the business or accelerate the decline. One of our interviewees perfectly summed this effect:

“We need to try things out and see what works, without cannibalising the existing business.”

John Robson, Vice President & General Manager, Paramount.

The level at which the digital leader sits within an organisation typically indicates an organisation’s ‘state of digital evolution’, and the extent to which digital media is integrated in to the core business strategy. For a digital vision to be defined with the degree of clarity and certainty necessary to drive transformative change, it is imperative that digital is on the agenda of the most senior leaders within the business.

“Media companies are unlikely to reap the benefits of the digital revolution until the CEO is really living a digital lifestyle themselves, day-to-day. If a digital strategy is just a tick-box on the CEO’s “to-do” list then the business will never be able to prove properly that targeted and behavioural advertising (i.e. Digital) has more impact than old style advertising.”

Ashley Highfield, Managing Director and Vice President of Consumer and Online UK, Microsoft.

“Attempts to increase the number of advertising minutes per hour will simply create a feeding frenzy for advertisers that will not yield any long-term winner. There are parallels with the price promotions of The Sun and The Mirror where there was no real winner.”

Malcolm Wall, former Chief Executive Officer, Content, Virgin Media

“Influence at the top table is paramount to the success of digital. Getting invited in to the leadership team can have a significant impact as it puts digital on the agenda of every leader in the business and can bring digital into the wider business strategy. Equally, a business’ digital strategy and stage of evolution determine where Digital Leaders sit within the organisation.”

Rebecca Miskin, General Manager, iVillage.

2. Business model

How do I evolve my business model to integrate digital successfully?

The established business model of traditional media organisations needs to change. Digital provides an opportunity to get closer to customers than ever before, yet the extent of digital adoption within established media organisations has been limited to date. The challenge for leaders is in balancing the revenue shift from established and lucrative old products, to the relative ‘unknown’ of new digital products. This context has influenced the mindset of traditional media leaders to become more risk averse than the ‘digital natives’ who operate in a legacy free, wholly digital world.

The rapid pace of digital change threatens the business model of established media organisations and it is widely accepted by leaders that simply selling more for less is not a winning response.

“Attempts to increase the number of advertising minutes per hour will simply create a feeding frenzy for advertisers that will not yield any long-term winner. There are parallels with the price promotions of The Sun and The Mirror where there was no real winner.”

Malcolm Wall, former Chief Executive Officer, Content, Virgin Media.

Digital provides the potential for media organisations to radically change the blend of products and services offered to consumers by getting closer to customers, using consumer data to target particular offerings, market products directly to specific segments, and build relationships with customers through two-way dialogue.

“When I’m thinking about digital it’s not just about what it means in terms of being able to change the operational structure of my business to be more efficient at a cost level. It’s about what it does in terms of allowing me to ... access new revenue sources, as both circulation and advertising revenues are going to be under continued pressure.”

Arnaud de Puyfontaine, CEO of Hearst UK, National Magazines.

Additionally, more accurate and immediate tracking of marketing and advertising initiatives enables greater understanding of level of return on investment:



“We can track an advertising campaign and its impact on the buying habit of a consumer in a store – we can give you exact ROI. Incredible ...”

Mark Rabe, Managing Director, Yahoo! UK.

Digital also allows media organisations quick access to much larger audiences than has historically been the case. For example, NBC’s realisation that they had access to 30million female customers through iVillage was formative in achieving greater acceptance of digital within the traditional business.

Despite the benefits of embracing digital, there was a strong feeling among the people that we talked to that media organisations have not yet moved far enough – a sense of digital ‘transition’ rather than ‘transformation’:

“The whole film eco-system is set up around the windows as they exist now – this has to change so that we can get our product to our consumers when they want it.”

John McMahon, Managing Director Europe, Sony Pictures Home Entertainment.

Leaders need to decide what and how to change, when:

“We have more routes to market than ever before, we can have a direct relationship with our consumers. All of this is great – but there is more complexity than we have ever faced ...”

John Robson, Vice President & General Manager, Paramount.

There is clearly a tension between maintaining the old product set and transitioning to a new product set which likely has different content generation and content distribution channels. Concerns regarding revenue are central to this – new digital products may initially return limited revenue in comparison to established media channels; the challenges of monetising digital offerings are well documented and as-yet unresolved.

It is apparent that the mindset of traditional media leaders differs significantly to the ‘digital natives’, with the revenues achieved through traditional media working to hold back change. By way of example – the digital turnover achieved by the Guardian Media Group in FY09/10 was circa £30 million against a turnover of £280 million for GMG’s continuing businesses. To a traditional media baron, the relative comparison suggests the transition to digital must be slow and measured. However, digital natives within organisations which have yet to return a positive balance sheet (YouTube, Spotify and Ocado among them), would see this as a huge return and one which should spark further investment and growth.

3. Organisation

How do I organise to take advantage of digital? How do I acquire, grow and nurture digital talent? What are the capabilities I need?

Organisational structure is an obvious consideration for leaders in embedding digital within traditional media organisations. Beyond this, recruitment of new digital talent (potentially from outside the industry), is recognised as being essential to achieving successful change. Subsequent retention of new recruits is dependent on leaders establishing a work environment which recognises and nurtures digital talent; the entrepreneurial approach and work habits of whom tend to differ significantly from the typical traditional media organisation. The adoption of different, digital ways of working will provide leaders with the opportunity to consider whether organisational capabilities must be maintained in-house, or can be achieved through successful partnering.

Leaders need to identify how the structure of their organisations must change to accommodate digital as a core offering. Organisations have previously tackled this in different ways, although within the population that we interviewed it is now widely recognised that digital and hard-print organisations must be fully integrated, or at least very strongly linked to achieve greatest efficiency of working and to safeguard brand integrity.

“We have more routes to market than ever before, we can have a direct relationship with our consumers. All of this is great – but there is more complexity than we have ever faced ...”

John Robson, Vice President & General Manager, Paramount

“Interestingly, integration [of print and online] has led to some changes in working practices, including different working hours ... But everybody now understands that the whole offering – the combination of the print and digital product – is important.”

Rona Fairhead, Chief Executive Officer, Financial Times Group.

It is evident that recruitment and retention of digital talent is recognised by leaders as being critical to success. Big gestures in the appointment of digital representatives at board level are reinforcing the importance of digital, yet recruitment below this is more complex: digital talent typically originates from outside the traditional media industry, tends to be young and can struggle with the alien corporate hierarchy of large media organisations.

“The sourcing and recruiting of talent is now becoming more open-minded for media organisations ... employees don’t need to have blue-chip experience any more, they need to be entrepreneurial and are increasingly likely to come from smaller, niche companies.”

David Pearce, Chief Financial Officer, BBH.

Leaders need to consider how best to integrate very different working styles and working practices to form a coherent whole that combines creative dynamism and commercial reality.

“The real challenge is not in finding talented individuals, it’s making sure they can be effective within the business. You have to work hard to ensure you have a cohesive organisation ...”

Simon Waldman, Group Product Director, LOVEFilm.

Key to retaining talent is adopting an approach where business units and the individuals within them are empowered to make their own decisions, to experiment with new ideas and to promote lean, value-creating practices.

From an organisational perspective, the impact of digital extends beyond the boundaries of the organisation; there is strong awareness that partnerships and collaborations with so-called ‘frenemies’ will be critical to long-term success. Leaders need to consider what capabilities they must build within the existing employee population, versus what capabilities they might source through successful partnering.

“It’s all about working in collaboration with people with whom you are also in competition – we work in partnership with Google but on the other hand we are lobbying to contain them ... Apple and Amazon for example, are companies that we buy from, sell and supply through and partner. It’s very complicated and not what management are used to dealing with.”

Carolyn McCall, Former Chief Executive, Guardian Media Group.

4. Innovation

How do I create an environment where innovation drives my organisation forward?

Fundamentally, innovation underpins progress in the digital age, and the need to be innovative now touches the majority of organisational roles in some form. The challenge for leaders is in achieving an environment where innovation is channelled so as to be as cost effective and efficient as possible, without being stifled.

In this digital era, innovation is a key organisational capability; fundamental to building new structures, creating new products and services, identifying new business models, launching new offerings and ultimately to establishing a new position within the digital market place. The theme of ‘innovation’ extends through digital product and service offerings to the customer experience; BSKyB face the cultural challenge of encouraging the 9.5 million homes who are used to dealing with BSKyB on the phone to move to an online help model.

"This is about retraining our customers to use the internet as their first port of call."

Mike Darcey, Chief Operating Officer, BSkyB.

Related to this, it is important to note that innovation is no longer the domain of the organisation's 'creatives', and is arguably now a core competency for the majority of roles in media organisations where digital has any level of impact. For example, in a digital world underpinned by technology, IT specialists are key to turning good ideas into new digital revenue streams.

"I see software engineers being as creative and important and critical as the editorial creative talent."

Erik Huggers, Director Future Media and Technology, BBC.

By its very nature, innovation invokes a degree of trial and error and 'feeling the way'. This is a significant departure from the linear and planned production processes of old and marks a step-change to established methods of working within traditional media organisations. The user-informed evolution of BBC iPlayer is one example where user consumption/activity has guided the process of product development, necessitating a fluid production process but achieving an end product which is arguably stronger and more popular as a result. As the BBC's Erik Huggers observed:

"The iPlayer isn't simply about wrapping some technology around the programme ... it's about creating a new user experience."

The leadership challenge here is to create an environment where innovation is accepted and encouraged, but to strike an appropriate balance between innovation of new ideas and control of spend. It was an express concern for many that we spoke to, that the process of innovation is managed in such a way that it achieves 'best value' for return on investment.



"There's a need to avoid seven year old kids on the football pitch syndrome."

Rona Fairhead, Chief Executive Officer, Financial Times Group.

Google has adopted a different approach to managing this challenge. They famously give a large number of employees one day a week to work on 'personal' projects, thereby encouraging entrepreneurialism and innovation. Efficiency of working is achieved through an 'ideas market' where individuals choose which projects they want to work on – everyone wants to work on the innovative, exciting ideas, such that bad ideas simply do not get off the ground and available skills are put to best use. The institution achieves control through the 'wisdom of crowds' – a fantastic example of individuals demonstrating leadership at all levels.

Why leadership is so important

Whenever an organisation faces a serious issue or crisis there is always a call for greater 'leadership'.

When people become disillusioned with a governing party they will decry the fact that the current set of leaders do not give them the 'leadership' that they need and they will call for new 'leaders' who will. The banking crisis, public sector debt, and BP's environmental disaster – all of these have seen, or will see, a call for better leadership.

Yet **leadership** is a poorly defined term with no commonly recognised definition.

In our view, leadership is not a role, nor a specific capability bestowed on people through innate traits with which they are born. If this was the case it could not explain why great leaders can become very poor leaders – for example, Churchill as Prime Minister pre and post World War II; Capello in the World Cup qualifiers and then in the contest itself.

We do not believe that great leaders are born great; too often the term leadership is mistaken for a description of a person. We separate a leader as an entity from leadership as action.

We therefore advocate that leadership can be learned – it is a set of skills that can be developed over time. We identify leadership as a set of actions or activities necessary to mobilise a group of people to work together on tough, complex problems.

We find a framework developed by Keith Grint at Warwick business school a useful way of defining leadership. Organisational issues can broadly be divided in to three categories

1. **Tame problems:** problems that have been seen before and for which there is a known solution. They may be complicated – but the right person and the right process will solve the problem. Heart surgery is an example of a tame problem. Heart surgery involves a complicated process – but with the right person (a specialist surgeon) we know how to do it. In this framework the approach to tame problems is management – getting the right person and process in place.
2. **Crises:** unexpected situations which occur quickly and need to be taken under control. Crises require someone to give the answer to the problem. For example, during the 7/7 bombings in London the paramedics getting into the underground stations took control of the crowd and told them exactly what to do. Crises require commanders – people in authority who have the answer to the crisis we are facing.
3. **Wicked problems:** problems that have not been seen before, for which there is no common definition and no known solution. Wicked problems are typically multidimensional, involving numerous stakeholders with differing opinions. For example, a wicked problem is identifying what we want to do to stop heart disease occurring. One approach would be to address the underlying social issues, but what would this mean? Do we stop the fast food industry? Do we educate our children to eat better? Do we put school meals back in place? Who pays for all of this? Do we ban smoking and alcohol? There are many definitions of the problem of heart disease; there are many stakeholders, all of whom have a right answer. Working on wicked problems is what we determine as the task of leadership.

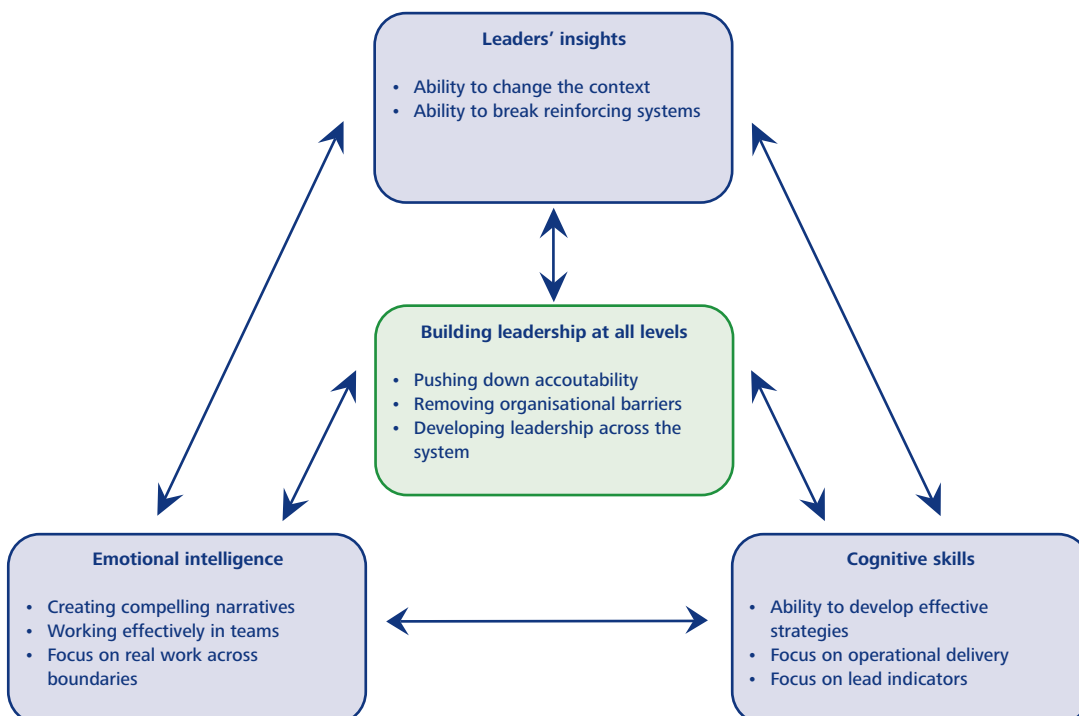
Leadership is tough. Often it is about overcoming deeply ingrained behaviours and leading organisations through radical change so that they can survive. Ironically, the reasons why organisations become successful in the first place are what makes them so tough to change. Ways of working that have been successful in the past become deeply ingrained. People are very determined to protect the way that things have historically been done. Many of our interviewees reflected that their biggest challenge is changing the organisational culture to embrace new ways of working.

Our contention is that the changes that digital is bringing are presenting the TMT industry with a series of wicked problems for which there are no known solutions. How will the music industry effectively monetise IP in the future? What will happen to broadcast? How will newspapers maintain revenue at a level where they can produce the high quality product that we all want? These are all wicked problems.

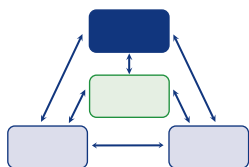
Leadership is about energising people in media organisations to work together to define the best possible solution. In order to do this, we assert that individuals need to demonstrate leadership in four dimensions – as depicted in the pyramid diagram below:

1. The **leaders’ insights** necessary for successful change within complex systems.
2. The **leaders’ cognitive skills** to manage effectively in demanding environments.
3. The **leaders’ emotional intelligence** to motivate their people through difficult times.
4. The leaders’ ability to **build leadership at all levels**.

Figure 2. The four dimensions of leadership



Leaders' insights



Leaders' insights are about high-level judgements and depend primarily on clarity and courage, rather than skills. The role of the leader here is to make sure that people are doing what you need them to be doing, to challenge accepted ways of working and to identify and break negative reinforcing loops. Ways of working that have been successful in the past become deeply ingrained. People are determined to protect 'the way that things are done around here'.

The rapid decline of local media is a classic example of smart people adopting system behaviours which ultimately achieved an undesirable outcome. These system behaviours are variously badged 'reinforcing loops' or 'conspiracies of optimism'. 'The system' is what people refer to as 'culture' or 'power relationships' or 'how things happen' or 'the acceptable standard'.

Many could see the internet transforming the local media space as classified and local advertising money migrated online. However many traditional local print businesses did not respond to the transforming marketplace quickly enough, maintaining business cycles that were structured around the print run and keeping digital and physical sales teams separate. The local press and directories businesses are examples of sections of the industry that have been devastated – and the question has to be asked whether the leadership of these sectors moved far enough, fast enough. Google and internet search engines came into being in the 1990s and their impact on local advertising markets was written about many years ago. If you as a leader wish to break through these system behaviours, what do you do? Two things:

- **First;** you need to change the context in which your people work – *don't let a good crisis go to waste*. 2010 presents a once-in-a-generation opportunity to change how we work, especially to move to an organisation set up for the digital world. There is a real culture clash going on in TMT organisations and this is an opportunity for leaders to move their organisations to a new way of working.

This move to new ways of working has to be made very visible to all across the organisation. Large symbolic gestures are important, as is focusing on the key ways of working that need to change. Where do old behaviours have to change? Where do you need to integrate a digital mindset in firmly established ways of working? For example: in broadcast, is the digital team really integrated with the creatives at the inception of an idea? In advertising, are digital experts and above-the-line resources working together as a team?

"You can put all the checks, balances and controls in place but unless you change the culture it will be meaningless. Unless there is real leadership that stands up and talks about digital, that lauds it, that boycotts award ceremonies unless they have online awards, that sponsors online awards, it won't become a digital culture."

Malcolm Wall, former Chief Executive Officer, Content, Virgin Media.

Significantly, this move to new ways of working is not all about pain – some TMT organisations have already made this move and one of the consequences has been a more productive and satisfying work environment, albeit a more demanding one. It is important that context shifting, organisational change is supported by clear messaging and clear signals of commitment from leadership – the ritual slaughter of a 'sacred cow' will do, a clear shift of resources or commitment to stakeholders will also help.

- **Second;** you need to choose the points at which to break the system behaviours that channel your people's actions in some undesirable directions – *know where to apply the pressure*. This could include changing financial procedures and constraints, exit or closure of high-profile problems, taking a firm grip of the family of divisions and functions, simplifying accountabilities, making public commitments to a changed approach.

We label these two groups of actions *leaders' insights* because they are fundamentally about high-level judgments and depend primarily on clarity and courage, rather than skills.

Leaders' cognitive skills

By cognitive skills we mean the coupling of intellectual/rational skills with the wisdom to deliver results. Without these intellectual skills, regardless of insight and inspiration, TMT leaders will be unable to make digital 'stick'.

Organisations across TMT sectors have to rethink both **what** they do and **how** they do it, in a way that the TMT sector has not experienced since the advent of television. Leaders will have to grapple with major restructuring programmes which take out cost from legacy businesses while investing in new technology and transitioning to new business models. Leaders must therefore drive their people to think differently and consequently to behave differently. Old 'truths' will have to be challenged and re-set. This will require first rate strategic thinking coupled with an ability to translate it into meaningful and transformative action.

Building these cognitive skills requires continued investment in development, continued recruitment of experienced practitioners from neighbouring sectors and moving leaders to roles in other firms facing the same challenges.

Carolyn McCall, former Chief Executive of Guardian Media Group, echoed this view:

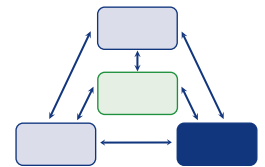
"We need outsiders with fresh eyes ... there is still a fear or a threat that this will destabilise the team but we need new people to shake things up because we need to look at commercial models in a very lateral way."

Strategic thinking, operational delivery and effective governance are critical responsibilities of the leader. This requires leaders to master technical skills and behavioural skills, which constitute the intellectual foundation of effective leadership. It is not about crafting a great operational strategy in isolation; it is about the ability to then deliver both through people and across complex organisations.

Leaders need to have the ability to create solutions which will work in their organisational context; hence our definition of cognitive skills as the coupling of technical mastery with well developed behavioural skills. However, this type of cognitive skill cannot be developed in the classroom – it needs to be developed through working with frameworks and applying them to real work. David Pearce, CFO, BBH, described it as a need for greater "corporate awareness":

"Leaders within media organisations now need to understand where their organisation's capability gaps are and where they can partner to address these."

In addition to all of these 'baseline cognitive business skills', many TMT leaders require commercial skills at reasonably junior levels in organisations so that they can take important decisions about digital opportunities.



Digital therefore requires a combination of technical, creative and commercial skills across key people in organisations:

“This needs creative technologists – tell me where they sit in an organisation?”

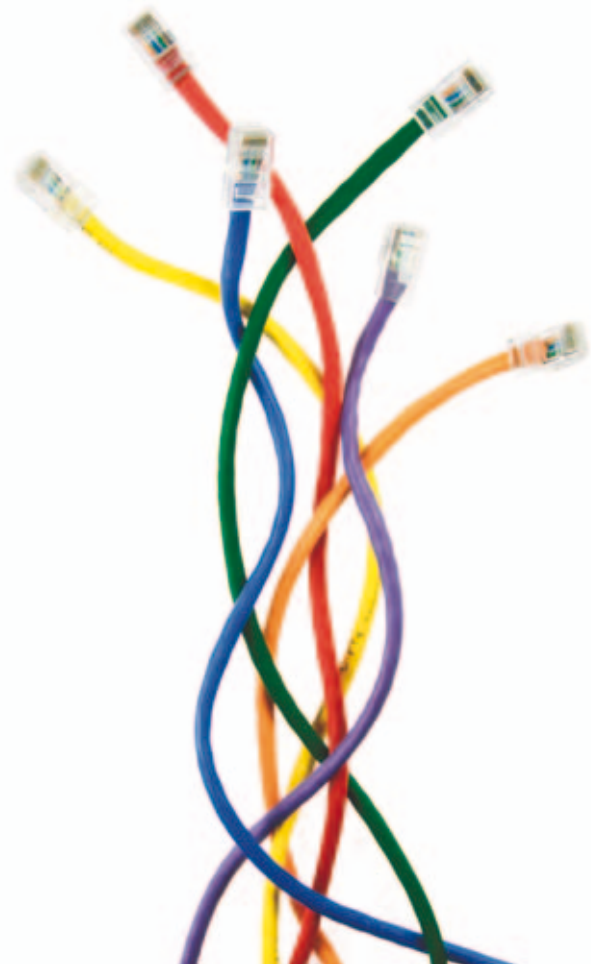
Tim Bonnet, Chief Executive Officer, Tequila/TBWA.

Leaders need to be able to:

- **Create and articulate effective and compelling organisational strategies.** Individuals should be reaching out to successful leaders across the TMT sectors and in entirely different national and international markets for advice and examples.
- **Demonstrate a systemic understanding of how to deliver operational goals.** Many TMT leaders benefit from mentoring (advice) and coaching (personal effectiveness) in judging the right degree of direct management versus delegation.
- **Develop the ability to ‘thin-slice’ data – knowing when to ‘deep-dive’ on potential derailing issues through the effective and rapid analysis of situations.** Building a stock of ‘good questions to ask’ is essential. Many failures would have been averted if leaders had been able to explore the following scenarios; ‘Demonstrate to me that we have the capabilities necessary to deliver this’, or ‘Show me what we would miss if we adopted a simpler standardised approach’, or ‘Why are we specifying this rather than letting our frontline people decide?’.

- **Know when to compete and when to co-operate.**

Digital businesses are so dynamic that new ideas, models and industries can spring up practically overnight. A business attempting to respond to each new thing from scratch will almost certainly become a jack of all trades, but master of none. The solution is to know where your products are differentiated from the competition in the minds of the customer and then co-operate to build or share the technical and commercial underpinnings that enable them.



Leaders' emotional intelligence

Writing lists of emotionally-intelligent leadership behaviours is already a substantial industry, but what is striking in our discussions with effective TMT leaders is how isolated many of them appear. They feel that they have to come up with the ideas for digital change and for doing more with less. They feel that they have to lead the charge for change rather than pass the torch to their team. They feel that they cannot rely upon their corporate colleagues to work collaboratively rather than compete with each other for resources. Furthermore, leaders are frequently locked into a parent/child relationship with other parts of their organisations who are competing for primacy as digital evolves. Perhaps it should not be surprising in cultures which emphasise creativity and technical excellence that emotional intelligence has been under-valued and under-deployed.

Although leaders must lead – and do so visibly – there is still a residual culture of not valuing management or leadership. Technical or creative people are the heroes of the organisation. Furthermore there tends to be a wide gap between the leadership of the organisation and the frontline – often mirroring the relationship with 'talent' in creative organisations.

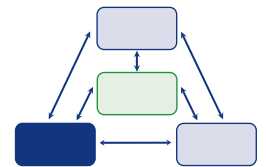
To enable TMT leaders to continue to be effective and to lead their organisations through the digital transformation, their leaders need to work with their team to:

- Make the time to think and reflect honestly and openly with their teams.
- Create compelling narratives of the changes facing the organisation that all can identify with.
- Frame challenges effectively to get people, across organisational boundaries, focused on the real work that they need to do.
- Reduce 'fear' and disabling beliefs by fostering more enabling states of readiness to face unexpected pressures, while still retaining a sense of reality and risk.

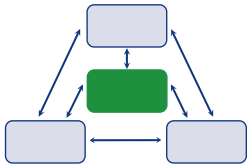
Furthermore leaders in public roles are dealing with ever increasing stress through pressures such as greater accountability and transparency, caused by the ever-present 24 hour news services, an increased desire for high quality services at lower costs and so on. In October 2009, Gordon Brown discovered the risks of this increased transparency, where being unable to answer a seemingly innocuous question about biscuits on MumsNet led to insinuations of being out of touch. Judith Woods, writing for the Telegraph, argued; "What a dismal show that our Prime Minister failed to come up with a single iconic brand name."

Leaders have to develop levels of personal resilience and self-belief to withstand this pressure. To be successful they have to develop personal insight and awareness of their own strengths, blind spots, potential de-railers and untapped resources and potential. This helps build personal understanding of their own leadership style and also facilitates a 'best team' approach to leadership; building teams of people with complementary skills which play to each individual's strengths and also compensate for each other's acknowledged gaps.

Leaders' emotional intelligence matters – they must bring their own strengths, values and personality to the role and, to avoid a mass exodus of talent, they must be able to take people with them. Appropriate self-belief is perhaps the most important emotionally-intelligent attribute leaders need to ensure they deploy. Leaders need to invest time in building self awareness and developing their self belief, they also need to invest in creating effective teams of complementary individuals that they can work with; ensuring they have the personal resilience and peer support necessary for these turbulent times.



Building leadership at all levels



Business leaders in today's increasingly complex and dynamic economic environment are discovering what many of their peers in the public sector have known for a long time; that leadership is a collective endeavour and an ongoing process that is dispersed throughout effective organisations. Leadership is no longer seen as the preserve of the most senior, nor is it sensible to see leadership linked exclusively to higher ranks. There is a requirement to push down accountability and develop leadership throughout the system. This can foster greater degrees of responsibility, innovation, problem solving capability and the motivation to give discretionary effort. However there is a fine balance to be struck. For instance, leaders in Children's Services have to take tough and important decisions on child protection that could end in a national scandal. Leaders have to be able to take the call as to when to 'deep-dive' into an emerging issue and when they can trust others within their organisations to deal with it effectively using their own authority.

Forget about hierarchy

When addressing their varied 'wicked problems',⁵ TMT leaders need to have the ability to influence and inspire others in the system outside direct reporting lines, articulating a common purpose then probing into specifics. The use of 'positional power' limits a leader's influence on a system. Across all sectors, organisational boundaries are beginning to blur, with partnerships, collaborative working and commissioning. Building leadership capacity and capability across organisations to deal with complex and messy issues is a key facet of effective leadership

Set the tone

As Greg Dyke⁶ reflects, too often people in organisations feel they are successful despite their management rather than because of them. The role of the leader has to be to create a culture that embraces learning and is able to effectively challenge disabling myths. Linking organisational leadership to front line delivery through developing effective leadership at all levels is a key task for leaders.

Arnaud de Puyfontaine, CEO of Hearst UK, National Magazines, summarised the challenge for leaders:

"You've got to create the vision, you've got to set the agenda, you've got to establish a proper set of values that will be the common element for anybody. So we must create the environment for some great mavericks with innovative ideas and for an entrepreneurial type of approach with plenty of freedom."

Remove the barriers

To achieve this leaders have to remove structural barriers which hinder the delivery of successful outcomes (such as duplication of work, unclear accountabilities or overly restrictive bureaucracy), allowing all to focus on the real work of the organisation. They also have to focus on developing leadership capability throughout the organisation. Our experience suggests that leaders in successful organisations have made the development of people everyone's responsibility and have put in place enabling mechanisms to build the skills and capabilities necessary for leaders in individual functions to lead agile, highly productive teams.

Building leadership at all levels ultimately relies on leaders bringing together the previous dimensions discussed in this paper. Leaders need the right insights to break negatively reinforcing systems. They must build the cognitive skills necessary to further improve operational delivery in an environment of fiscal constraint. And, their levels of emotional intelligence must be sufficient to harness the collective talents and ideas of individuals across the organisation.



Actions for TMT leaders

Building the leadership capacity and capabilities of your organisation has to be one of your highest priorities. For some this has been embedded in the organisation's DNA for many decades. To address the financial crisis and realise the opportunities it also represents, you should consider the following questions:

Chief executive

- Is your transformation plan in place with goals, milestones and means? Have you created appropriate networks to enable leaders across the organisation to interact with the plan and discuss challenges and opportunities with you directly?
- Do you have a senior team who are working collectively together to enable change?
- Can you articulate a brief yet compelling message of change, framed appropriately to 'connect' with your staff?
- Have you considered specific interventions, such as tailored coaching, to build your personal cognitive skills?

Human resource director

- Where do you need to intervene to close gaps in organisational leadership that are critical to transforming performance?
- Do you have a leadership programme in place that is integrated with the overall transformation plan, and which builds leadership at all levels in the organisation, rather than just the 'top-tier'?
- What is your headcount reduction plan?
- Are you building the right organisational capability to deliver the digital agenda over the next 6-12 months? Over the next 2-5 years?

Frontline operating director

- Which lower-priority activities can you cease?
- Which major operating risks are likely to be exposed by reduced budgets and what is your mitigation plan?
- Are you connected to other leaders across the organisation, so you have the opportunity to solve 'wicked' issues together?
- Do you have a good grasp of the opportunities that digital offers you? Do you have the authority to bring these to life?
- Do your staff have the skills to perform at lower headcount levels?

Finance or planning director

- Are accountabilities for performance crystal clear? Are governance and control processes simple, understood and effective?
- Is your legacy cost reduction plan in place with goals, milestones and means?
- Do you know where to invest 'digitally' to have the greatest impact on the long term future of the business?
- Have you placed sufficient emphasis on budgets for managing change or building leadership capability?
- Do you know which legacy businesses and functions will close or merge?

Conclusion

Leadership of organisations across the world is squarely on the agenda of shareholders, institutional investors and employees of all organisations. The digital transformation and the fallout from the economic downturn challenge the leadership skills and capabilities of all TMT organisations. Undoubtedly an organisation which is best led will have a better chance to survive and thrive. Furthermore, the tough decisions needed require leadership at all levels. Authority and power should be distributed throughout organisations so the right people in the right places can take the decisions ... and very few of them can call on personal experience of this degree of resource squeeze.

The UK TMT sector demonstrates enduring strengths in creativity, quality, motivation and independence – but the delivery track record is mixed. We believe that capitalising on these strengths and moving to the new realities of high-productivity, demanding and skilled organisations is not about recruiting or developing more leaders, it is about exercising more leadership at all levels. Senior leaders will need to demonstrate leadership in four dimensions – developing the **insights** necessary for successful change within complex systems, building the **cognitive skills** to manage effectively in demanding environments, encouraging the **emotional intelligence** to motivate their people and actively **developing leadership at all levels**.

Furthermore these dimensions have to be addressed systematically. It is no good being emotionally intelligent without the requisite cognitive skills or vice versa. Most importantly of all, leadership needs to be developed across the entire system so that organisations can move to a more agile, delivery-focused structure that will enable the traditional to compete with the new on an even footing.

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Notes

- 1 See **New Shapes and Sizes** www.deloitte.co.uk/newshapesandsizes
- 2 Paper to be published in **Spring 2011**
- 3 **Digital Britain Report**, Department for Business Innovation & Skills, <http://interactive.bis.gov.uk/digitalbritain/report/>
- 4 **Record recession for UK economy**, BBC News, 23 October 2009: <http://news.bbc.co.uk/1/hi/8321970.stm>
- 5 Rittel & Webber 'Wicked Issues in Social Planning'
- 6 Greg Dyke "Inside story"

Contacts

Authors

Deloitte

Keith Leslie

Partner, Central Government
020 7303 5494
kleslie@deloitte.co.uk

Adam Canwell

Director, Technology, Media & Telecommunications
020 7007 8073
acanwell@deloitte.co.uk

Marianne Green

Senior Manager, Technology, Media &
Telecommunications
020 7303 2726
magreen@deloitte.co.uk

Matt Guest

Manager, Technology, Media & Telecommunications
020 7007 8073
mguest@deloitte.co.uk

Adrian Bassett

Manager, Technology, Media & Telecommunications
020 7298 3560
abassett@deloitte.co.uk

Spencer Stuart

Alastair Rolfe

Head of Marketing, Spencer Stuart
020 7298 3560
arolfe@spencerstuart.com

TMT Contacts

Deloitte

Ed Shedd

Leader, Global Media Practice
020 7007 3684
eshedd@deloitte.co.uk

Will Gosling

Partner, Technology, Media & Telecommunications
020 7007 8132
wgosling@deloitte.co.uk

Howard McMinn

Partner, Technology, Media & Telecommunications
020 7007 9765
hmcminn@deloitte.co.uk

Spencer Stuart

William Alexander

Head of European Technology Communications &
Media, Spencer Stuart
020 7298 3405
walexander@spencerstuart.com

Grant Duncan

Head of Media, Spencer Stuart
020 7298 3464
gduncan@spencerstuart.com

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Designed and produced by The Creative Studio at Deloitte, London. 6491A

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