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Building your digital DNA

Featuring case studies from: Alliance Boots, We Are Social, Barclays, British Airways, Deloitte Digital, Virgin Media, Facebook, Marks & Spencer, Evening Standard

Lessons from digital leaders

Contents

Visit www.digitalleadershub.co.uk to assess the digital maturity of your organisation and find useful tips and guidance on leadership skills, organisational design and talent management.

Foreword

Do you have 21st Century technology but a 20th Century structure? Are you equipped to attract, develop and retain digital talent? Do you know what it takes to lead in a digital era? These are questions that many, if not all, organisations are grappling with as they seek to succeed in the digital era.

Our previous papers in the 'Digital Leadership' series have explored the challenges faced by leaders as they look to resize and reshape their organisations through digital transformation; how to innovate beyond products or deeply ingrained ways of working; and the importance of developing the new digital skills and capabilities required for the digital economy.

In our fifth paper, we explore the three core factors organisations are considering when looking to improve their digital maturity levels – digital leadership, the structure of the digital enterprise and digital talent.

We've interviewed digital leaders across multiple industries, including consumer businesses, financial services, healthcare and life sciences, telecommunications, media and technology, to understand which tools and techniques are being adopted in thriving digital businesses today. We hope that this paper and the case studies featured within it prove to be useful for organisations that are looking to enhance their digital capabilities.

W. S. Gosling

Partner, Digital Human Capital Lead

In association with Grant Duncan – UK TMT Leader, Spencer Stuart
Spencer Stuart is a global executive search and leadership consulting firm that works with clients from all sectors to identify, assess and recruit senior executives and board directors and help organisations to evaluate talent and prepare for their future leadership needs. The UK TMT practice covers the spectrum of technology, telecommunications and media with a particular specialisation in digital transformation roles. Deloitte and Spencer Stuart have collaborated on the production of a range of digital leadership studies aimed at preparing digital leaders for embracing the opportunities in the digital marketplace. This also includes organising networking opportunities for digital leaders at 'Digital Link' events.

"There's never been a worse time to be a worker with only 'ordinary' skills and abilities to offer, because computers, robots and other digital technologies are acquiring these skills and abilities at an extraordinary rate."

Erik Brynjolfsson and Andrew McAfee,
The New Machine Age[1]

1. The New Machine Age, Page 11, Erik Brynjolfsson and Andrew McAfee, published by W.W. Norton & Company, Inc, ISBN 978-0-393-23935-5

The digital organisation

The triumph of Moore's Law

In the five years since we wrote our first paper on leadership in the digital age the subject has turned from a niche interest in the media industry into a zeitgeist topic for leaders in all sectors of the economy. Leading academics such as Erik Brynjolfsson suggest that we are at the dawn of a Second Machine Age, in which digital technologies such as the microprocessor, the internet and social media have created the basis for exponential economic growth. If true then this is a troubling realisation. Human beings are not wired for exponentials: gradual change is hard enough for most of us, let alone sweeping shifts in the ways we live and work. These are difficult but exciting times for leaders in every industry and geography.

At least the last five years have given us far more clarity on the nature of digital and insights into the enterprises that will succeed in the Second Machine Age. We now know, that at its heart, the digital economy is about symmetry of information; where people have the knowledge to make their own decisions on a wide range of previously opaque problems and the tools to enact those decisions. Since the invention of the printing press we have been generating more information than any one person could possibly make use of. That process accelerated after the invention of the microcomputer in the early 1980s and the liberalisation of the internet in the 1990s. Information kept becoming more asymmetric, organisations and individuals became ever more specialised and collected ever more data without much idea of what to do with it.

Then something remarkable happened. Moore's Law finally brought the cost and size of powerful computers down to a size where we could carry them around in our pockets. At the same time, the powerful computers at the centres of businesses and networks became really powerful, and the algorithms they ran reached a level of sophistication that they could do some of the complex analytical things that people used to do. Much of the underpinning technology also became free or cheap to use.

All of a sudden we had access to enough computing power and sophisticated-enough software to analyse problems more easily. The applications we ran on our phones and tablets made it really easy to start to apply analysis in our everyday lives without needing to have a degree in statistics or computer science. Now the digital world is open to all.

The organisational effects of digital

Organisations that are thriving in the digital economy have adopted loose hierarchies in which responsibility sits closer to where decisions have effect. They also focus on outcomes, not on the processes that realise those outcomes.

This is a real struggle for many organisations we work with as their people have become focused on operating a process rather than delivering an outcome. As a Public Sector executive put it to us, *"processes are the barriers that line a road and prevent us dropping off the edge if we get in trouble, not the road itself"*. Digital enables leaders to focus on outcomes because it makes it possible to measure and test quickly and easily.

"Digital has become part of our lives in such a way that I don't think any of us realised it was happening."

Rhona Bradshaw, Director of Digital at Virgin Media

This focus on process has meant that people have become part of a machine-like enterprise rather than a vital cell in an evolving organism. It feels contradictory that the lifecycle of a piece of technology, such as a mobile phone, is measured in months, but leaders consider it acceptable for an employee to do the same job for five or even 10 years. It is easy to stagnate in that environment so professional mobility that leads to the right life outcomes for employees is also an important facet of successful organisations in the digital economy.

In our world, basic problems like 'how do I get from Clerkenwell to Old Street' are solved in seconds with vanilla applications, and more complex ones like 'where should I stay in Barcelona' can be answered within five minutes with a combination of search engines and social recommendations. Digital has even markedly changed the nature of such a trip. In 2014, you can stay in a stranger's flat in comfort and safety thanks to Airbnb, hitch a Lyft from the airport to save some money, open the door and switch the lights on with your phone using Lockitron and Lifx, both of which were crowd funded. Most of that was impossible five years ago and the remainder was the preserve of wealthy early adopters.

Mobility and flexibility will be crucial for people to stay relevant. The darker side of ever-more advanced technology is a rising tide of jobs that can be done by machines. An example is the large proportion of news stories on the web that are written by algorithms from companies such as Narrative Science. In reality the act of taking a set of sources, crunching them up and putting them into a readable narrative is actually quite formulaic, as are the acts of processing expenses, summarising legal documents, analysing financial statements and so on. Narrative Science tools are actually able to pass the Turing Test for artificial intelligence[2] and it is now easily conceivable that the next five years will see many administrative roles subsumed by mobile phone features.

Planning the skills of a workforce in the digital environment is complicated. So is the simultaneous need to locate the right sort of people to bring new skills into an evolving organisational context and help existing employees gain digital economy skills. Many organisations are acquiring organisations for its talent base – to narrow the digital skills divide. In a world of accelerated change, these organisations have recognised that attempting to build digital capability organically is often not a viable option.

The following sections of this paper each look at a key issue that organisations are facing with the people aspects of digital:

(1) The structure of the digital enterprise
(2) Digital talent
(3) Digital leadership

In our experience, organisations tend to be one of four types. This is sometimes a journey and, while not all organisations will benefit from realising all four phases, there is, in our view, now no argument for not having at least pro-actively considered them for your organisation.

2. http://www.theguardian.com/media/2012/may/13/robot-journalist-apocalypse-news-industry

"What you have to be able to do is to evolve and flex against any set of circumstances."

David Wheldon, Head of Brand, Reputation and Citizenship at Barclays Group

The structure of a digital enterprise

Valve is a sizable and much-studied US software company that has no hierarchy, no defined strategy and is seemingly held together by the shared philosophy and sense of responsibility of its employees.

Its 300 or so employees[3] are encouraged to determine for themselves what the best projects are to undertake, convince their colleagues of their idea then assemble teams to realise those projects. For this reason desks in Valve's offices have wheels on them so that people can physically move to the centre of the action as they see it.[4] Valve has been around four times more productive than either Google or Apple in terms of market capitalisation per employee and as much as ten times more productive than peers in the video games industry.

Zappos is a 1,500 employee US-based shoe retailer, whose CEO Tony Hsieh recently announced the company's intention to move to a radical self-governing operating system called 'Holacracy'. In 'holacratic' organisations there are no job titles and no managers, and hierarchy is removed completely. In its place is established what is called 'holarchy'. In 2013, Zappos was ranked 31 on Fortune magazine's "Best companies to work for" list.

Culturally open, dynamic and flexible structures built on mutual trust are the basis of the information economy and should be a long-term aspiration for many organisations. Although radical structures such as those of Valve and Zappos are unlikely to work in many – or indeed, any – other organisations today, they can't be dismissed as curiosities.

Facebook's Nicola Mendelsohn (VP EMEA), says: *"The pace of change is extraordinary. We are open about what is happening to the business because it creates trust between the employees and the leadership. Trust is vital because there's rarely time to strategise or dress things up. Action just has to happen and be right enough, enough of the time."*
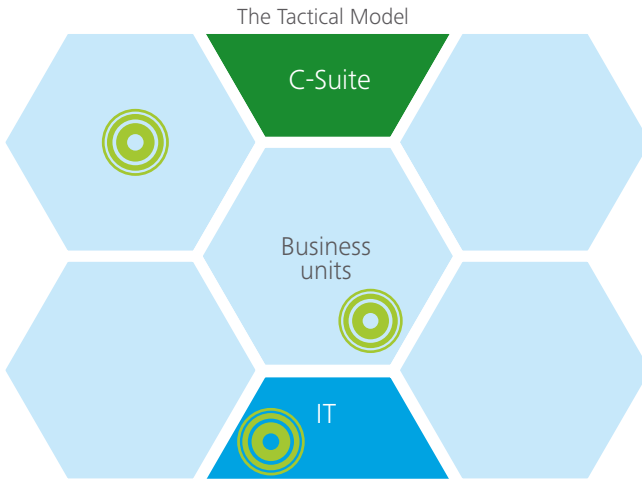
Few would argue that Facebook hasn't created and made the most of a digital culture, but it would be a mistake for leaders of more longstanding enterprises to attempt to jump to such a structure. The culture shock would be too great. Instead successful leaders must pro-actively consider what they can learn from the organisational models being established within 'digital native' companies, and understand how they can apply new ideas in what is still largely a world dominated by traditional, hierarchical structures.

Some organisations have become 'ambidextrous organisations'. In these cases, the organisations in question have recognised the value that exists in applying more than one operating model within their business, dependant on the needs of a particular business unit or function.

3. http://blogs.seattletimes.com/brierdudley/2013/11/04/a-glimpse-of-valves-steam-machine-controller-design-and-hardware-plans/

4. http://www.bbc.co.uk/news/technology-24205497
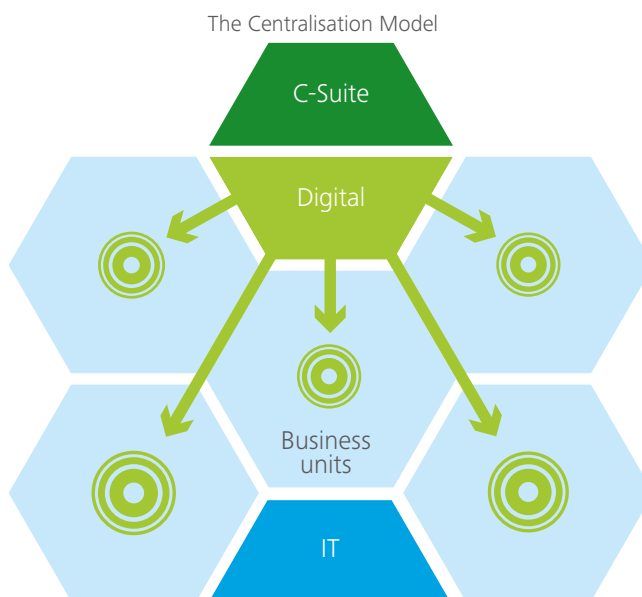
The Tactical Model

The four types of digital organisations

The Tactical Model

In the *Tactical Model*, digital technology and ways of working are used within business units to achieve existing targets, but in an efficient and effective way. Techniques like digital marketing, the utilisation of online sales channels, and technologies that support field force mobility all create great value without the need to re-engineer the way the business works.

A challenge, however, is that these investments are often made in silos. Investments are typically large but not strategic. Digital remains at the edge of the business, its challenges and opportunities restricted to the minds of a few, and the subject treated as an exception to business as usual.

In our experience the *Tactical Model* is extremely common in organisations that have a stated desire to establish a digital market presence, but who have so far not articulated a coherent digital strategy. And in our view there will soon become a time, and a competitive imperative, for these organisations to move to a more strategic use of digital.

The Centralisation Model

The Centralisation Model

In the *Centralisation Model*, digital initiatives and skills are consolidated into a central unit. This enables appropriate governance over spend on digital. It also creates a structure for turning corporate strategy into priorities for digital initiatives with the central team being able to work with the business units to implement them.

This structure enables the organisation to scan the market for ways to use digital, pollinate ideas and applications of digital between business units and deliver digital processes and technologies on behalf of the business. As with most centralised organisational approaches, it also tends to be more efficient.
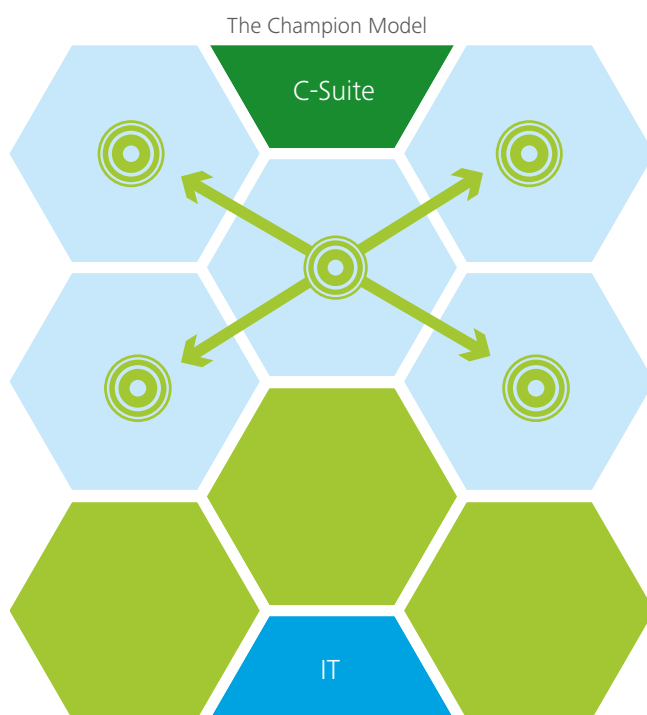
"There used to be a digital team but increasingly now it's marbled through the organisation. We have tried to embed digital talent across teams."

Elizabeth Fagan, Marketing Director Health & Beauty, International and Brands, Alliance Boots

This centralisation can also benefit organisations that are doing far too much in digital. Phrases like 'Skunk Works' and 'Guerrilla Units' are often used to describe the well intentioned pet projects of managers that are meant to establish innovative technologies, products and ways of working, but rarely achieve much at a strategic level. Identifying and triaging these initiatives (boost, stop, pause) is one of the first tasks of a digital team. It can also identify some great talent and ideas that can be brought into the team.

In general, the central digital team is a transient feature of the organisation that helps it gain control of investments, breaks down silos and teaches and empowers leaders to use digital techniques to transform the organisation. In a small number of instances it could become the optimum model – for example where the role of the central team becomes a 'Digital Centre of Expertise' – but in the majority of instances responsibility for digital should be broken up and passed to the business's operational leaders.

The most common transition that we see in our clients today is between the *Tactical* and *Centralisation Models*. This looks simple on paper but the steps involved can be overwhelming as there are a vast range of management theories, business models, transformation frameworks and technologies vying for the attention of leaders.

The Champion Model

The Champion Model
In the *Champion Model* a digital strategy is in place and has been effectively communicated across the business. A central digital team no longer holds all responsibility for digital, and emphasis is placed on sharing knowledge, educating and enabling others in the business.
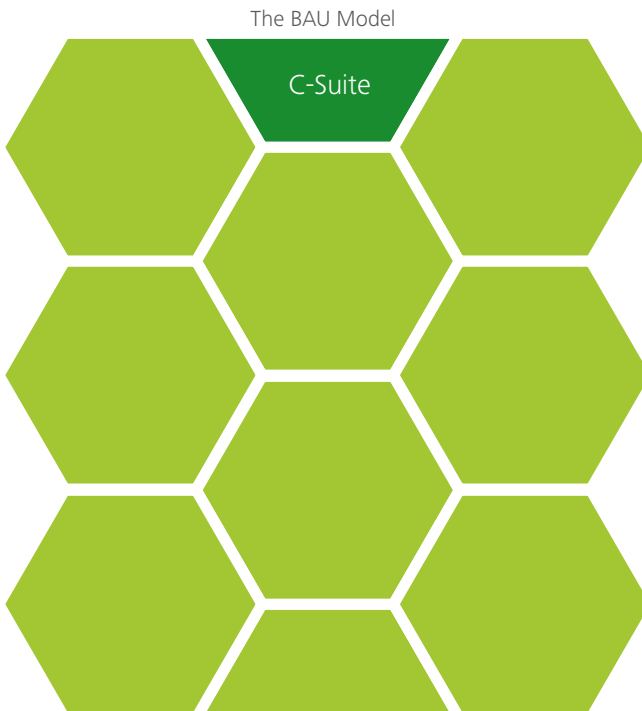
Organisations with this structure have enough openness and trust that they can focus on doing things rather than having meetings to plan how to decide how to do them. They know that leaders will support them and that everyone is pulling in roughly the same direction. The most significant enabler of this model is deep understanding amongst leadership and employees of what digital really means.
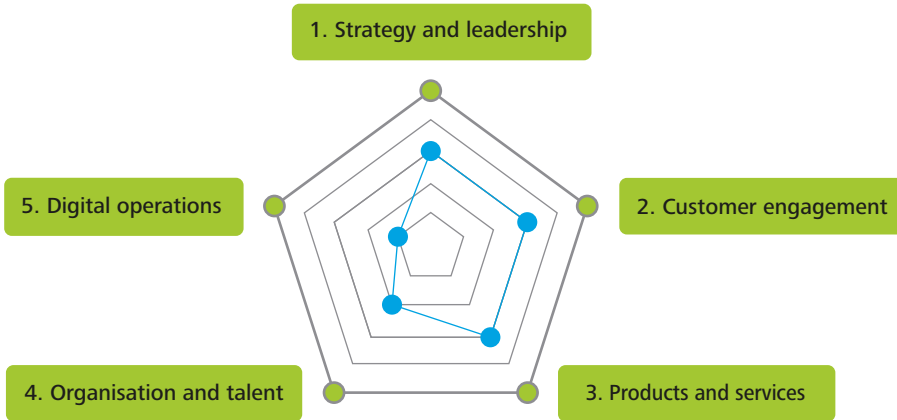
In the Champion Model, shared capabilities such as data science, innovation and rapid prototyping enable the organisation to be self-sufficient in digital techniques and ways of working without always relying on a central team. Leadership behaviours encourage ownership for outcomes to be devolved and allow people to have careers that see them continually learn and adapt.

The Business As Usual (BAU) Model
In the *BAU Model*, digital culture, processes, business models and technology are no longer unusual, but are fully embedded in daily working life. The business is flexible and responsive to change at all levels.

There is no longer a need for a centralised function and those working on initiatives and with specific digital skills re-join business units. Teams form and disband dynamically based on business need. The business now behaves like a digital organisation.

The BAU Model

1. Strategy and leadership

5. Digital operations

2. Customer engagement

4. Organisation and talent

3. Products and services

The example organisation shown above in blue is typical in that it has succeeded in creating some successful digital products and services but delivers them in a traditional hierarchical way. Although this is fine in the short term, in the majority of cases it will not be sustainable in the long term as the rate of innovation and change continues to increase, and new digital competitors enter traditional marketplaces. Assess your organisation on the Digital Maturity Model at www.digitalleadershub.co.uk

How to measure your digital readiness

At the risk of adding another framework into the mix, we use a simple diagnostic to help leaders understand the gaps between an organisation's current state and what is needed to make digital into a strategic capability. To use this framework, think about the state of digital in your organisation in five areas:

1. **Strategy and leadership:** do we have the right vision and strategy for digital, and the leadership, communications and focus required to support this vision?

2. **Customer engagement**: do we have the right approach to understanding and communicating with our customers to succeed in a digital environment?

3. **Products and services:** do we have the right products and services, and the ability to develop, manage and provide them effectively?

4. **Organisation and talent:** do we have the right people, talent, skills and knowledge to support our vision, products, and services?

5. **Digital operations:** do we have the right processes, controls and digital technologies to support the operations of the organisation?

It is important to note that this Digital Maturity Model is a diagnostic, not a benchmark. Organisations should not seek to be leaders in every aspect of digital business, but instead focus on those that are most fundamental to delivering their long-term strategy.[5] Becoming a BAU Model business is likely to be the long-term goal, but it is not necessarily the only one.

Fifteen years ago, online travel portals, financial service price aggregators, peer-to-peer lending organisations and subscription-based entertainment companies did not exist. In the next fifteen years, it is not inconceivable that the companies in these spaces, utilising low cost bases and their ability to engage more intimately with customers, will have overtaken or even replaced traditional businesses that do not adapt their operating models to the digital world.

5. Our Digital Maturity Model diagnostic uses a combination of online surveys and interviews to assess maturity across the organisation in a more quantitative way than described here; however this five-point structure is a useful starting point for executives.

Alliance Boots
A structure for innovation

In the midst of significant organisational change at Alliance Boots a few years ago, delivering consistent branding across digital channels and international markets for its Health & Beauty Division became a priority for marketing. With so many available channels and ways of engaging with the customer, Boots began looking at customer personalisation and how they could personalise the customer experience through the use of data.

Elizabeth Fagan, Marketing Director Health & Beauty, International and Brands, explains the importance of internal digitisation and the organisation's structure in delivering this. Elizabeth comments, "We are quite far ahead when it comes to customers and the use of analytics. We are constantly looking at how customers engage with brands. The Boots Advantage Card has been around since 1997 and over time it has given a really clear understanding of our customers' buying habits."

When talking specifically about internal digitalisation, Elizabeth says "Digital is a misnomer – we've been using TV for years so we have been in the digital world for a while." She explains that what used to be a digital team is now spread across the organisation." We have tried to embed digital talent across teams – we always try and make sure there is a mix including people with more experience."

This doesn't come without its challenges, Elizabeth admits, "Our size makes it difficult to make changes quickly. We have tried to de-silo the organisation, although asking people to work in a matrix organisation has been difficult. Digital has necessitated the need to work in the matrix and people must work across different functions." However, more cross-functional working and more collaboration is helping Alliance Boots deliver its digital strategy. Elizabeth finishes, "We are realising that knowledge on its own isn't worth much – sharing that knowledge is much more powerful."

We Are Social
The power of 'digital infusion'

Global social media agency, We Are Social, was the brainchild of Nathan McDonald and Robin Grant back in 2008. At six years old, it now has 500 employees spread across eight global offices.

We Are Social has recently been through a round of organisational change which aims to establish what the silos are and how bridges can be better built between the teams within the agency to allow for the collaboration they want, and need. Nathan explains, "Size can drive silos, but we need to understand the different perspectives of each of them on strategy or marketing or technology to allow us to collaborate effectively across the agency. There's never one right answer so we need to consider each of them as moving parts of a whole."

They are keen to avoid the elimination of specialisation, as this is a key strength of what makes parts of their organisation great, but they realise that sometimes they need to bring together different disciplines. "We'll sometimes distribute teams of creatives and get them to work together towards the same goal. Cross-functional teams that collaborate allow us to break issues down better," says Nathan.

They believe that within businesses, a separate digital function is not always necessary. "For organisations where digital is essential, it should be infused throughout," says Nathan. He recognises though that one size doesn't fit all: "In a big organisation it can be helpful to have 'the digital people over there' (in other words, a digital function), but the ideal scenario is for everyone to have some degree of digital knowledge, but with varying depth in different areas, such as mobile or ecommerce."
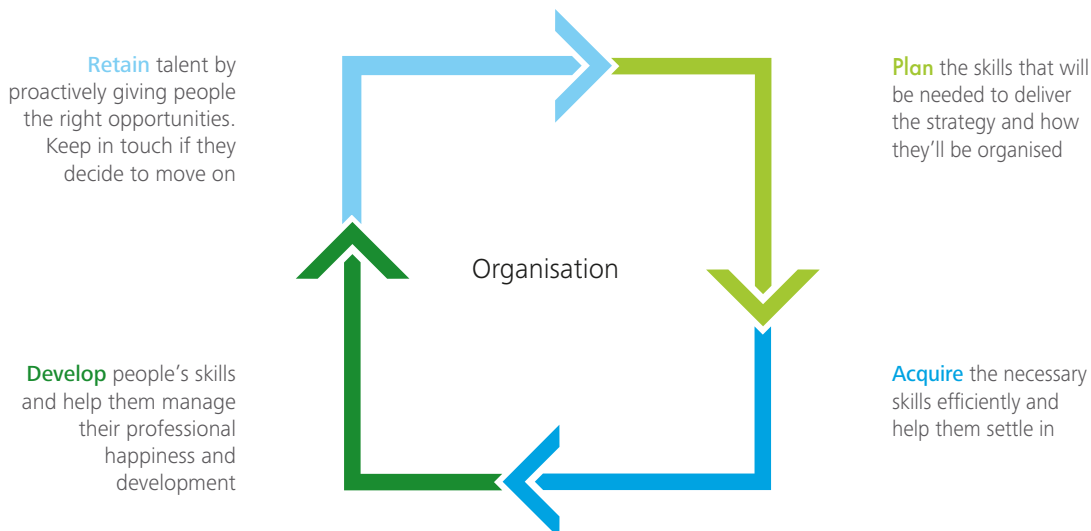
Some of We Are Social's clients are trying to become much more digital by developing areas within the business where digital advocates promote a digital agenda. But Nathan believes there is ultimately a goal, "As the digital agenda becomes embedded throughout an organisation there should be fewer people with 'digital' in their titles. Digital expertise will become second nature."

"Ability and freedom to go and do a task but with accountability to get it done. That's the distinguishing feature of digital talent."

Andrew Mullins, CEO Knowledge and Networking Division, Informa

Managing the digital talent lifecycle

The talent cycle in digital organisations

Retain talent by proactively giving people the right opportunities. Keep in touch if they decide to move on

Plan the skills that will be needed to deliver the strategy and how they'll be organised

Organisation

Develop people's skills and help them manage their professional happiness and development

Acquire the necessary skills efficiently and help them settle in

As organisations focus on building a structure to drive digital change, they must not forget their people. Indeed, they must also create and execute a plan to grow a base of great digital talent.

As with most parts of the business environment, talent management in a digital environment is a learning, iterative process based on objective measurement of skills, suitability and performance. That is not to say that algorithms replace empathy, just that human beings are directed to the points in talent management that are required.

Talent planning

Planning is a crucial and ongoing part of the talent management process but it should not become an academic exercise. At the outset, the talent strategy should address the skills and capability gaps revealed by assessing what currently exists and what is needed now and in the future. This does not come naturally to many digital natives but is a lesson that can be learnt from successful corporates.

A key part of this planning process is to establish outcome-based measures that align the talent strategy to the digital strategy. Many organisations also identify critical workforce segments that will drive a disproportionate percentage of the revenue growth and focus their talent management activities on these roles.

It is also fundamental to get the design of work right. Too often organisations solve new problems in the same old way – hire a permanent member of staff, bring in a contractor, buy a consultancy project. This is old-fashioned thinking. The digital world and the Open Talent Economy Continuum where there is an unrestricted flow of people, borderless workplaces and fewer ties keeping employees from walking out the door, is challenging core assumptions about the design and allocation of work. Many organisations now plan their talent activities around a wider, open network and people who 'work' for you may not be employees or even contractors.

"When we recruit we focus on what can't be taught. Natural attributes such as openness and willingness to collaborate are essential; other skills can be embedded over time."

Nathan McDonald, Co-Founder at We Are Social

	Closed ◄ The Open Talent Economy Continuum ► Open				
	Balance sheet talent	**Partnership talent**	**Borrowed talent**	**Freelance talent**	**Open source talent**
What is it?	Statutory employees of your organisation. You bear all the carrying costs of these employees.	Employees that are part of a partnership or joint venture that are on a related balance sheet.	Employees who are part of your value chain or ecosystem but who reside on someone else's balance sheet.	Independent workers you hire for specific but temporary projects.	People who provide services for you for free, either independently or part of a community.
Useful for					
Who's doing it?	• Large global organisations. • Various industries focussed on consistent delivery from hourly labour.	• Joint ventures. • Strategic alliances.	• Staffing agencies. • Consulting firms.	• Independent contractors. • Individual business owners.	• Community boards on a specific topic. • Innovation contests for customers. • Product/service user communities.

The message here is not to just assemble your talent plan in the way you have in the past, but to consider it as part of a wider change in the way the organisation is responding to digital.

Talent acquisition

The talent plan will no doubt highlight areas where new skills and capabilities are needed in the organisation. Although it is sensible to believe that people already in the business can be retrained into new roles, this is a process that takes time and effort to accomplish, even if new techniques reduce the cost and increase the efficacy of talent development.

It is therefore likely to be necessary to identify and attract new people into the organisation at a number of levels.

In our experience traditional employers tend to experience similar issues when it comes to recruiting digital talent. There is poor awareness of the organisation as an employer amongst the target group. This is often linked to a lack of understanding of what the organisation would be like to work for and cynicism about its attractiveness. It is sad but true that many traditional organisations are regarded as stifling and 'uncool' by the best talent and the recruitment websites of those companies do little to dissuade them of that fact.

These issues are compounded by a lack of reach on the kind of online platforms that digital talent uses to search for jobs and a lack of physical presence in the areas where it works today or wishes to work in the future. It is no coincidence that major enterprises like William Hill, Tesco and even Deloitte have set up digital offices in the vicinity of London's Old Street Roundabout. There are, however, a number of steps organisations can take to respond to these challenges.

Understand digital talent

Take the time to understand the talent that you are trying to recruit by thinking of them in the same way that a marketing team would think about a customer segment. In doing so, list out the story that you want to present to a new recruit that highlights the skills and what you will have to do for them in order to make a role attractive. This takes more time than writing out a job description, but after thinking about a few roles in this way you will likely find that new archetypes develop for digital talent.

Tell your story socially

One of the key principles of acquisition in this market is to bring the employer's story to the potential recruit in their preferred channel and context. This means engaging on social media other than Linkedin. Linkedin is a beautiful tool for general recruitment but even in a well-developed digital market such as the UK fewer than half of degree-level educated people are members.[6] Linkedin is certainly part of the solution, but so are Facebook, Twitter and Instagram. Each plays a role in creating a coherent story about your organisation to potential joiners.

Don't forget your website

Create a branded website that is as user designed and well thought out as the one you use to serve your customers. Doing this will expand the top of the funnel for candidates and help to attract those with scarcer skills. In addition, whilst it won't directly help you filter out those who don't share your cultural values, it can offer candidates an opportunity to do a digital test drive on your organisation and determine for themselves how they would fit in.

Think outside the classroom

Although executive search firms can alleviate some concerns over fit at the top end of the market, the same is not necessarily true with less experienced hires. Basing decisions purely on education background or ability to write down their experience is an extremely crude way of basing decisions on who to interview and who to ultimately hire.

It is for this reason that start-ups such as Gild, Knack and Saberr have entered the market. These organisations offer Big Data solutions that enable businesses to use social network profiling, video games and psychometric testing respectively to further establish the credentials and experience of candidates and whether they will fit into a team.

Although these tools cannot replace the traditional discipline of interviewing, they offer a scientific basis for filtering candidates, particularly when the skills, background and outlook of people with the skills you are looking for are very different from your own. Cultural fit is vital, but it is not always indicated by how someone dresses or what school they went to.

6. http://www.insites-consulting.com/infographic-millennials-social-media/

"Recruitment channel selection in the digital environment is still a nascent art, reaching and engaging the right audience requires a deeper understanding of content, interest groups and skill sets."

Tom Marsden, CEO, Saberr

Invest in academies

In the event that the type of skills you are after are extremely scarce, for example data scientists or mobile developers, consider establishing an academy to train or retrain people from graduate level or within your organisation. Although expensive this kind of scheme may also serve to make you a more attractive employer. Partnering with academic institutions to develop niche skill sets is also worth consideration as this will ensure a healthy, long-term talent pipeline.

Acquire talent en masse

Consider whether there are any acquisition targets that would give you a ready-made team and leadership structure. Although there are pitfalls to this 'mass talent acquisition' approach – it can be relatively expensive on a per-employee basis and cultural fit can be hard on both sides of the acquisition – it does put in a fully functioning digital team in a matter of a few months, potentially also making the most of existing staff. Walmart's acquisition of Kosmix[7] is a successful example of this strategy and who are we to argue with the world's largest company!

Talent development

Bringing in new skills is a small part of managing digital talent: making the most of what you have already is far more important. People already in your organisation have great experience about what makes it tick. The digital economy may be distinctly terrifying for them – change in itself is difficult to cope with – but as this type of change only happens once in several generations, you need to consider what support your people need.

Define the employee journey

Before doing anything else, define the journey for employees. Explain the reasons why the business must change the way it does things and make a commitment to them to help them adapt to the new environment in which they are operating. Openness and clarity of shared purpose are fundamental to new behaviours and leaders must exemplify them.

With this done the hard yards of changing years, even decades, of learned behaviour begins by building digital literacy and removing the current barriers to adoption of new working practices. The latter are often technology-related as a lack of effective hardware and software (particularly collaboration and unified communications tools) prevent the adoption of new ways of working and give people an excuse not to change.

7. http://dealbook.nytimes.com/2011/04/19/wal-mart-buys-social-media-site-kosmix/?_php=true&_type=blogs&_r=0

> "A lot of our digital talent is home grown — mavericks who have their own businesses and have adapted their business models in an entrepreneurial way. It is important to find these people and leverage their skills."

Drew Crawley, Chief Commercial Officer, British Airways

Deliver learning digitally

Although it may sound obvious, digital learning needs to be delivered digitally. Classroom learning and heavily-led courses that are not designed for the audience are not the right way to get across a culture of rapid take-up, customisation and personalisation. Different people learn in different ways and it is no longer acceptable to create cumbersome 'one-size-fits-all' courses. Instead take inspiration from organisations such as McDonalds, which delivers learning to young employees using bite-sized lessons delivered to mobile phones, perfectly designed for their young workforce.[8]

Measure the outputs

As with everything digital all of these new learning methods must be measured. Not by the number attendees at a course but by output measures such as increased use of collaboration tools and reduced calls to internal support functions. Analysing training then identifying and replicating successful training experiences increases the chances of new ways of working being adopted within an organisation. Employees are people, after all.

Be brave enough to let go

There will always be situations in which people are not able or willing to adapt to new ways of working. Often they were the lynchpins of the traditional business model, which leads to one of the hardest decisions a leader must make – to let go of a longstanding employee who was previously vital but is unable to change. That's why it's important to give everyone the best possible chance to adapt but to also ensure everyone has insight into the organisation's long-term vision so they can be bold and committed to the intended direction of the organisation.

Retention

You've developed a great talent plan, gone to market effectively and brought in exciting new people to complement your digitally re-skilled workforce; it's inevitable that your competitors, even your partners will start to circle around those amazing people you've invested so much in. So how do you keep them?

Part of the battle is to make sure that your workplace is the best it can be for them. It's easy to say, but lack of strategic alignment in leadership tends to encourage managers to keep a tight grip on their best people and prevent them from moving around the business to gain new skills and ascend the enterprise.

New challenges are part of the retention plan, as is a really exciting workspace. You can also think about tailoring and differentiating reward packages, as Facebook and Apple are exploring by providing women with the option to avoid choosing between motherhood and professional progression through offering egg freezing as part of the employee benefits package.[9] Career pathways and development opportunities can also be a way to appeal to different groups of employees. Bloomberg recently revamped their global mobility operations to better assist employees in searching for and undergoing international assignments. Exploring work life balance options is another potential route to adopt. Pfizer pursued this through developing a function that completes transactional activities for key employee groups in order to free up time to focus on high value activities, and as such improving job satisfaction and work life balance.

But fundamentally people do move on. The best digital companies embrace the fact that they are right for their people at certain points in their lives and not at others. Rather than force square pegs into round holes, be excited about the possibility of bringing in new blood to refresh an existing position and use digital to keep in touch with people who leave. They may well be partners in the future. They may even come back when your needs and their lives align again.

8. http://www.clomedia.com/articles/5643-mcdonalds-making-learning-personal

9. http://www.bbc.co.uk/news/business-29626291

Barclays

Barclays is often talked about as one of the UK's fastest-digitising retail banks with a flexible approach to developing new products which has won them considerable attention in recent years. Customer usage of the bank's award-winning banking apps, including 'Pingit, have grown extensively in the last few years, while Barclays' 'Digital Eagles' – 600 staff members who have been trained in all things digital – have been a hit with their customers.

David Wheldon, Barclays' Head of Brand, Reputation, Citizenship and Marketing, believes that attracting good talent is key to the business' digital success. The bank is proactively recruiting 'digital-natives' to drive innovation forward, with a particular focus on graduates and creatives.

David observes, "We've seen a noticeably different speed of change in the bank. The 'digital' floor has workspaces that are funky like Google and everyone is casually dressed all the time. It's full of the typical people you expect to see in a 'digital' environment."

Barclays' leadership accepts that it needs a different type of talent to deliver its future strategy and is engaging at a grass roots level with its employees. "We ask them for their ideas and what we can do better" as well as recognising that they also need to develop. "As leadership we also need to be willing to accept reverse-mentoring if we want to be as digitally fluent as the younger generation. It's about mutual trust and empowerment," says David.

As well as embedding their purpose and values with all their staff, Barclays is also taking much more tactical steps to make digital a part of its culture. "We are actively trying to give our people the tools to make digital business as usual as far as possible." David explains, "At a basic level, we're easing out of using blackberries – everyone needs a smartphone and apps that give them access to email systems etc. Branches are iPad equipped and the new branch formats are also designed around the future not the past."

Throughout the organisation they are encouraging people to live in a more digitised fashion. They use digital ambassadors who are asked to share knowledge because people identify them as knowing things. Barclays also recently launched its 'Colleague Interface Programme', again, an example of how they're developing to give fluidity to the way they discuss things.

Wheldon knows that the work has only just begun and that there is a lot still to do, "We still don't have enough digital pioneers running digital marketing – it's a middle-generational thing at the moment" but he believes that Barclays is heading in the right direction to transform its public image and will continue to do so. "Negativity about financial institutions is a headwind on our digital activity. You have to be brave, bold and relentless."

British Airways
Using agile talent to drive innovation

Since its birth almost 100 years ago, air travel has changed beyond all recognition and each decade has presented a new development or challenge to tackle. Adapting to the digital age has been just another stage in British Airways' journey.

British Airways employs over 40,000 employees but has not been immune to the digital skills shortage. Drew Crawley, Chief Commercial Officer, believes that finding the right digital talent is essential and knows that they cannot sit and wait for the talent to find them; "We need to make sure that we are attractive enough to acquire the resources required to turbo charge our digital effort."

A lot of BA's digital talent is home grown, identified by BA simply going out to their workforce and asking them if they had any capability in digital. It found a selection of people who were running websites in their spare time and were interested in doing the same at work. Drew explains, "These people also know talent and the best people we have recruited have come through our 'talent scout' employee recommendation programme. This is the best way of recruiting brilliant people."

For skills that have proved more challenging to find, such as analytics, BA has launched 'UnGrounded' – an innovation lab to help respond to the global talent crunch. "Here we have teamed up with United Nations and the Decide Now Act (DNA) to give people the opportunity to grow skills, provide experience and uncover new ideas globally."

BA also appreciates the value of an agile, on and off balance sheet workforce, bringing in external groups to bring their specialism or areas of expertise onto certain projects and finding value in crowdsourcing to drive innovation. As well as bringing fresh and alternative points of view, this engagement with external groups also gives them another opportunity, "As part of our commitment to developing our people, we also make sure that each of these external individuals is man-marked by one of our own employees to transfer knowledge and grow our internal talent pool." Crawley adds, "The creative juices out there in the mainstream are phenomenal and organisations need to harness them."

Deloitte Digital
Reinforcing an innovation culture through its workplace

For the digital native generation, work-life fit is valued more than compensation growth or skill development. And more than half of Gen Ys believe increased mobile working would improve their productivity. Among those leading the way in innovative ways of thinking about how to enable this way of working is Deloitte.

Launched in 2014 by Deloitte's consulting business, Deloitte Digital is a full-service design agency offering digital strategy, multichannel, bespoke development and managed solutions for its clients. Deloitte Partner, Royston Seaward, leads the UK business and has helped shape digital strategy for some of Britain's leading and fastest growing businesses.

In sharing his views on building a successful culture of digital innovation, Royston claims that for the digital native generation, work-life balance is often valued more than compensation growth or skill development. He also believes that increased mobile working improves productivity. Royston highlights how Deloitte Digital is promoting this innovative way of thinking, "Today, it's more about showing people what you stand for rather than telling them," says Royston.

Deloitte Digital has done exactly that by using its workplace to reinforce its open, innovative culture and engage employees at its Buckley Building in London's Clerkenwell. The building's evolution is symptomatic of the broader changes in working life of the last few decades – a former 1930s factory has been converted into a modern workspace.

Chancellor George Osborne formally opening the site of Deloitte's London technology studio and announcing the creation of 1,200 jobs at the firm.

The emphasis of this workplace is on flexibility and creating space and opportunity for interaction. Teams can gather quickly when required. There are no individual offices or permanent desks. Instead, there is an array of different working areas and collaboration technology. "The buildings themselves often aren't the problem. The challenge is to be flexible about what's in them and how we use them," says Martin Laws, a Partner at Deloitte. "We are seeing clients repurposing their buildings. In future companies will offer multiple working environments. It's all about the mix. There is still a place for the big, shiny corporate spaces, but that will be one element. One size no longer fits all."

In doing this, Deloitte has provided its talent with a choice of how they want to work, empowering them to make this choice through a culture that has collaboration at its heart. This, you realise, is what the future already looks like.
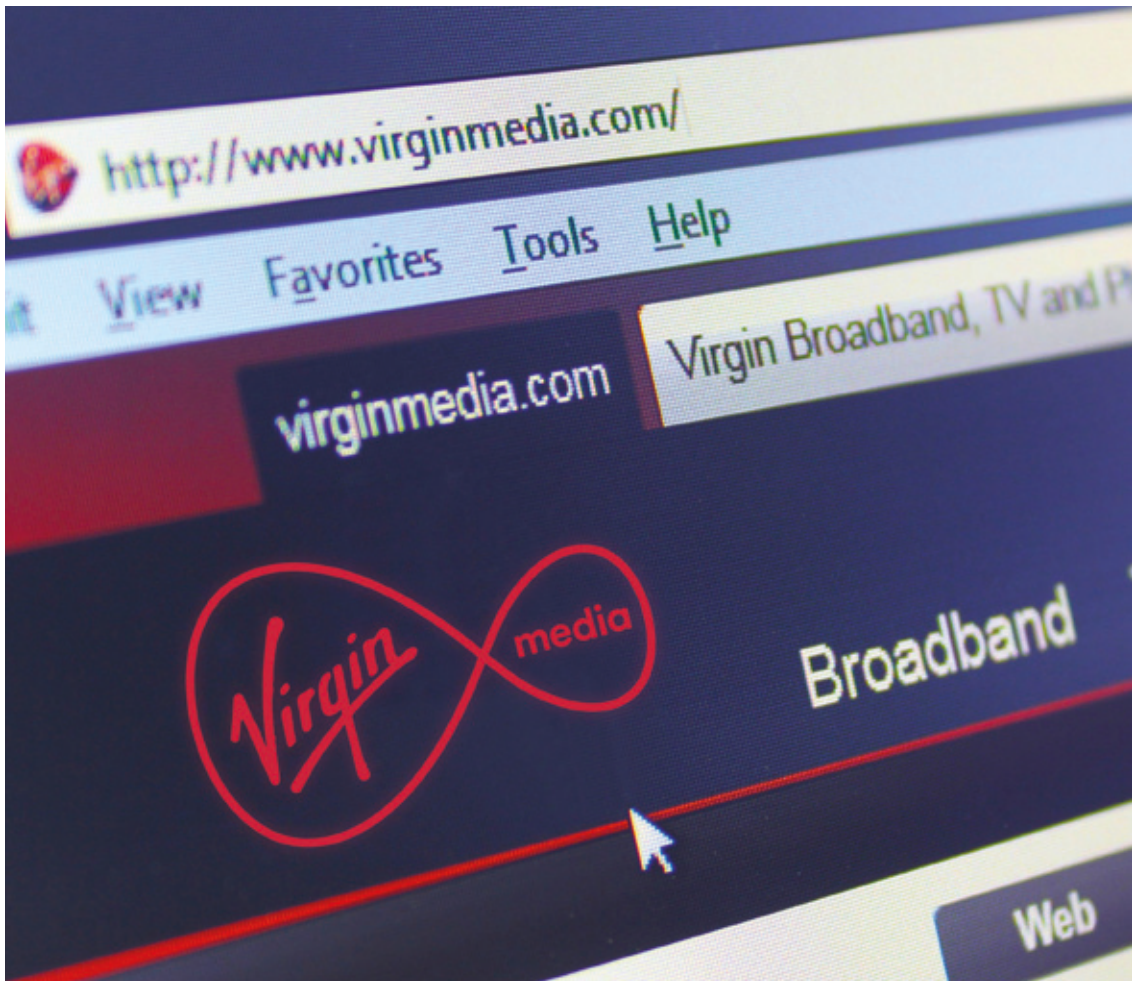
Virgin Media
Keeping the People Team at the front and centre of digital

Virgin Media set its own reputation as a digital market leader back in 2006 when it was established as the first "quadruple-play" media company in the UK – offering both broadband internet, digital television, mobile phone and fixed-line telephone services.

Since being bought by Liberty Global in 2013, the international media empire, the business has undergone further organisational and strategic transformation. During this transformation, Virgin Media has continued to stay ahead of the curve by putting its 'People Team' in the front seat for Virgin Media's digital journey and making talent a top priority.

Rhona Bradshaw, Virgin Media's Director of Digital, not a digital native herself, appreciates the 'people' challenges that organisations face for digital talent. "I started out with a Business Studies and Marketing degree but became interested in digital marketing through my experiences at Ericsson at a time when they were trying to integrate digital marketing into their organisation." She adds, "I wasn't a digital believer to begin with but having seen the benefit it adds to all aspects of the business, I have tried to filter digital thinking into my everyday activity."

Keeping the 'People Team' informed of how the business is changing digitally and the opportunities that are emerging has been key to attracting the right people with the right digital expertise to the company. "The more we can embrace how we operate and behave outside of work in terms of how we communicate, engage and interact with customers" says Rhona, "digital has just become the new way of doing things."

Rhona knows that the organisations' digital talent is a lynchpin for success. "The key to digital revolution is to have like-minded individuals working together towards a common goal. It helps spur on the change; to give it momentum. The work of the 'People Team' has helped Virgin Media to bring digital expertise in-house and gain 25 permanent heads in the digital team."

However, Rhona also recognises that there is more to be done and will continue to work with the 'People Team' to embed a digital culture within the business. Rhona concludes, "The big piece that needs to happen is total cultural change in how we approach business and I believe we are poised to deliver this as we have the right people who are really focussed on change and embracing digital."

"Strong digital leadership is needed to provide constant challenge and tension for the organisation to adapt."

David Pemsel, Deputy Chief Executive, The Guardian

How to be a digital leader

So what is the role of leadership in this fabulous new world? In fact, do we even need leaders at all? It is fashionable to believe that the businesses of the future will be flatocracies: organisations without hierarchy that operate effectively through shared purpose and values rather than through the vision and orders of leaders. This is a fantasy world that takes no account of the psychology of human beings or of their unique skills and experiences.

Leadership is in fact more important in times of change than at any other, but its nature has perhaps changed somewhat to take into account the more collaborative nature of the digital workplace. Even in a relatively flat structure like Facebook's, everyone knows who their manager is and what to expect from that person.

You do still have to lead

Set a vision
The leader must set a vision for the future by explaining the strategic course of the wider organisation, listening to the views of the team around them and then simply explaining the plan for the coming years.

Clarify the team roles
There should be some things that the entire team is responsible for –these should be outcomes rather than processes – but each person should understand what their particular purpose is and what success looks like. If done well this avoids conflict and once again encourages collaboration.

Advise, don't dictate
The leader's role in a team is to act as counsel and advisor rather than dictator. They should use their network and influence to smooth progress and negotiate with other leaders to remove barriers that their team cannot break down. This is how hierarchy can favour action and collaboration in a real organisation.

Make roles fluid
It is important for leaders at all levels to ensure that roles are not static for too long and they must give their people the opportunity to keep developing.

Be prepared to refresh the team by letting people whose needs are best served by moving on to another area of the business move on and bringing in new blood to take over ownership of their outcomes.

Keep focused on outcomes
Leaders must keep their teams focused on outcomes, support and reinforce their people in taking ownership and be a role model that focuses attention on business strategy. The attitude *'done is better than perfect'* employed by Facebook is also a great mantra for digital leaders in all organisations.

All this often means that leaders must be prepared to do the difficult things, such as giving aspects of their job to colleagues in other teams or letting vital employees move to other teams. In turn leaders should support their teams when they behave in this way and they should incentivise them to do so through objectives that promote the corporate strategic outcomes rather than those of their silo.

"Young people do not want management, they want mentorship. They don't want to go through eight glass ceilings until they become senior."

Alistair Crane, President – Global Content, Monitise Create

Characteristics of a (good) digital leader

The digital revolution not only opens up new opportunities for how organisations arrange work and structure themselves, but it also leads to new ways of working and leading high performing teams. Though some traditional leadership capabilities still remain critical to successfully lead in the digital era (e.g. creating and communicating a clear vision, motivating and empowering others, etc.), there are also new requirements for leaders at all levels of the organisation. These demand a dynamic combination of a new mindset and behaviours, digital knowledge and skills that are critical to lead teams in the digital era.

Be smart and mobile

The digital leader is hyper-connected and always 'on the go'. A digital-savvy professional capitalises the opportunities new technologies bring to the business as well as to the team.

Provide real-time interactive feedback and use social and mobile platforms to engage with the team

The digital leader provides real-time interactive feedback and coaching to its savvy tech team of Millennials as they understand that the digital savvy workforce are used to socialising and interacting via new technologies and social networks.

Thrive on working in a networked, matrix environment

The digital leader quickly develops a network within and beyond this area of competency, successfully operating across silos and within cross-functional teams.

Foster a culture of knowledge and content e-sharing and role model values such as integrity, openness and transparency

The digital leader understands the importance of creating a culture of knowledge sharing and continuously shares relevant content and stories with the team. They become a role model in values such as openness, integrity and honestly which become key to preserve corporate reputation in a more digitalised and transparent world.

Create a personal following

As the power shifts to the digital knowledge workers, organisations flatten and boundaries blur, the digital leaders needs to create individual loyalty and engagement by considering and accommodating employees' individual requirements and interests. This enables a self-directed, empowered and agile workforce.

Leverage on 'T-shaped' talent to create diversity in high-performing teams

The digital leader recruits and develops a diverse talent group that has deep functional expertise and a set of broad, generalists skills, creating a flexible and dynamic high performing team.

Drive decision-making based on analytics

The digital leader has the ability to make informed decisions on strategic issues based on data-driven insights.

Be flexible, adaptable and collaborative

(cross-generational, cross-functional and cross-organisation). Coupled with these attributes, strong conceptual and strategic thinking capabilities, and the ability to foresee unprecedented change and adapt accordingly still remain critical to leaders in the digital era.

"For digital to be adopted and used to its potential, it is particularly important for everyone from the top down to be committed to a digital culture. It is also critical that the leadership team is on board with the shift to digital."

Laura Wade-Gery, Executive Director for Multi-Channel, Marks & Spencer

Leadership at all levels

As digital impacts the entire organisation it requires effective leadership at all levels to drive the digital strategy going forward. Until now, most organisations have relied on 'mass talent acquisition' to secure leaders with the necessary digital capabilities. However, as digital expands across the organisation and the 'war for talent' continues, organisations need to consider a more structured approach to building a healthy leadership pipeline with the necessary capabilities to lead in the digital era. They can do this by placing potential leaders in positions that stretch them beyond their current competencies and skills, to coach them and support them on building new digital capabilities as rapidly as possible.

Maybe one day in the future everyone in every organisation will be a leader, but for now the traditional practice of leadership remains as vital as it ever was.

Facebook
The importance of communicating well as a leader

Within Facebook's offices, in every conference room, you'll find their six core corporate messages. Amongst these are 'Fail hard' and 'The journey is 1% finished'. This undeniably sets a tone – it is not the share price that is on the lobby walls as you walk in in the morning.

Facebook is a business based on people, and the culture of the business is to be open about personal lives. For example, co-founder, chairman and chief executive, Mark Zuckerberg, will often share his weekend plans on weekly corporate calls. Nicola Mendelsohn, Facebook's VP for EMEA, stresses the importance of communicating effectively as leaders – something that is becoming more natural within digital start-ups than their larger corporate counterparts. "Because the company position is to make the world more open and connected, the tone set by the leadership team is exactly that of openness," says Nicola.

Mendelsohn is not unique in talking about the importance of good communication and transparency in leadership, but she places a notable emphasis on its power, and how it enables Facebook to achieve its mission, involving employees in the journey it is taking. Nicola stresses, "There is a need for a common language in organisations where people are communicated with on their terms to bring everyone with you when you're transforming or changing at pace."

This sense of collaboration can often be undervalued in organisations. Digital transformation agendas and strategies will be written, and yet often the majority of employees are left out of the loop as to why, how and when these changes are taking place. "Messaging, especially when transforming or evolving as a business" says Nicola, "has to be simple' and made meaningful to the end audience. Employees want to be involved and know what's going on."

Nicola doesn't believe in challenges: "It's all about opportunity. I get more and more excited about what we're doing, and how our platform can change peoples' lives. We just need to make sure we communicate this in a compelling yet simple way."

Case study

Marks & Spencer
Getting senior leaders on board

Marks & Spencer is a British business with a long history. However, these days it is very much focused on bringing digital tools and capabilities into the business and fostering a truly digital culture that supports its online and multi-channel strategy. From when CEO, Mark Bolland, announced that the new flagship store was marksandspencer.com it was clear that digital was now a core part of the business.

Laura Wade-Gery, Executive Director of multi-channel e-commerce at Marks & Spencer, emphasises that the leadership team's commitment to shifting to digital has been absolutely critical to success. "For digital to be adopted and used to its potential, it is particularly important for everyone from the top down to be committed to a digital culture."

At the 130 year old retailer, investing in leadership commitment and getting everyone fully on board was key to the success of embedding a digital culture. "One way in which we did this was to organise a day and a half of digital training for some of the top leaders. The main takeaways were around the necessity and ability to do things more quickly and test on the go – the idea of 'fail fast' really hit home."

Furthermore, Laura points out that, "One radically different hallmark of a digital business is not being afraid to fail. If you're not failing, you're playing it safe. And failing at a project means you can look again at the project and focus on what works. Failure encourages the next iteration, and the faster you fail, the faster you move on to the next iteration. When managers throughout the business develop this attitude – and it starts with the senior leadership team – fear of failure becomes less prevalent, and we're seeing employees and innovation thrive."

With Marks & Spencer teams now using iPads and FaceTime to share store views and ideas and their crowdsourcing and collaborative tools they have created an environment for more innovative thinking where they can test concepts quickly, learn from and develop them. Laura knows that a digital business needs to be collaborative and that there are many more opportunities where digital can play a role. "There is so much scope for digital tools and media to enable us. We have only just begun."

Case study

Evening Standard
Digital leadership characteristics

The London Evening Standard has been through a significant shake-up in the last few years, becoming a free paper in 2009 after 180 years of paid circulation and developing its online presence. Now at a new stage in the organisation's history with the launch of its 24-hour television network 'London Live', digital has already proved itself transformational.

Zach Leonard, Managing Director of Digital, maintains that there are no set rules for strong digital leadership, and that leading in a digital world varies greatly, depending on the character of an individual. He believes strongly that digital leaders must "give individuals and teams the ability, resources and freedom to accomplish a goal efficiently and accountably".

Zach believes that the whole ESI Media organisation is benefiting from cooperation and 'cohesive working'. Currently, all digital editorial, commercial and technical people report into him with some matrix reporting where it makes sense. "Spans of control will evolve and change as our digital offering matures, whilst maintaining our focus on future audience and revenue growth."

Although digital leaders need to be specialists, Zach also believes that they need to have a generalist outlook and be able to communicate effectively. "They need to be part-marketer, part-CIO, part social media strategist, and digital publisher all in one. You need ongoing internal and market analysis and great communication to credibly lead digital business – to make more educated guesses in an ever-evolving category. Then you need the ability to make decisions quickly based on insight, and confidence in the fact that you won't always get it right – and thus be prepared to change track," says Zach.

Strong and focused digital leadership is absolutely essential now that the organisation is reaching the consumer through its new channel – LondonLive. He says, ''We are leveraging video from the TV network and our brilliant journalists from The Independent, London Evening Standard, and Homes & Property to deliver news and current affairs with expertise and passion.'' From a media reach perspective, he adds, ''We further leverage the scale of our digital web sites and print titles to cross-market each other effectively. This also develops our audience engagement, segmentation and data potential – which is increasingly critical in digital programmatic trading and yield management across web and mobile.'' The ESI Media range of titles, brands, platforms and media is uniquely placed in the UK to offer such depth and breadth of reach to its clients, agencies and partners.

"Leaders can't wait around for others to make the mistakes. If they do, then they will be left behind."

Simon Birkenhead, CEO, Axonix

The revolution is digitised

Our research into the culture, organisation, talent and leadership of digital organisations has revealed a great deal of the work that organisations should consider to compete in the new digital economy.

Culturally, digital businesses are open and promote trust: they embrace failure as part of a measured, disciplined approach to learning about their market and their operations. The most successful businesses are also disciplined about how they achieve this culture. Rather than seeking to evade the hard process of change by jumping to the end and leaving their organisation behind, they instead embark on steps that sees them gain control over the digital developments within the organisation before gradually giving responsibility for those capabilities and working practices back to the organisation.

Outcome-based talent plans that develop existing staff and incorporate new ideas from the market create the basis for a dynamic and flexible organisation. The design and structure of the organisation impacts on ways of working and can create a culture of openness, flexibility and mutual trust. That organisation is led by managers who empower and enable their people to take responsibility for outcomes, in collaboration with their colleagues.

Our interviews with organisations such as Barclays, British Airways and Marks & Spencer show that they are joining new economy businesses like Facebook and We Are Social in preparing themselves for the digital environment of the next decades. That we found differences of approach but not of opinion shows that no one can dismiss digital as a fad.

Digital is here to stay and those who do not embrace the opportunity risk joining the growing list of old-economy organisations that have fallen by the wayside. Those that embrace it have an exciting journey ahead.

Do you have a 20th Century organisation for a 21st Century business?

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