Amrop Leadership Series

From Disruption to Daylight
How Leaders Are Travelling the Digital Change Curve

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Amrop
Leaders For What's Next

Executive Summary

The journey to digital, from the way you've always worked, to the way everyone else is beginning to work, can be viscerally shocking. The digital path leads senior executives through denial, anger, bargaining, depression, to acceptance.

Empty Seats

According to Amrop's 2016 report: *Digitization on Boards*, an absence of digital literacy and digitally innovative thinking spans the 110 largest stock listed companies in Europe and North America. Only four have an official technology/digital committee, and just 5% of Board Members in non-technology companies have digital competencies. Even digital-critical sectors are under-equipped. The third edition of the Amrop report, published in 2019, reveals that the digital picture is still out of focus and multiple questions still surround its purpose and implementation.

Digitization Can be a Frustrating Race

Start-ups such as Paypal and Uber shape their business in the context of present day technology and are often defined by it. By contrast, working for a legacy company can resemble a race in which the finish line remains elusive, with great ideas coming moments before hearing about a start up that launched the same concept yesterday.

Help is at Hand

Hyper Island is a digital media school working with corporations seeking to adapt their business in a digitized world. Rather than schooling them in fast-obsolete technology, Hyper Island designs learning journeys: executives observe their environments, watch behavioural patterns and new technologies and use everything available to solve their challenges. Attitudes can shift in a three-day masterclass, according to co-founder Mikael Ahlstrom: "The first day there's a sense of urgency, the second day there is

excitement about innovation, and the third day is: *how do I implement this and what's the next step?*"

Deliberate Shifts – and a Sense of Urgency

For Ahlstrom, transformation is rarely one project, it's a designed, facilitated journey with multiple components: handling shifts in attitude, identifying a new vision, introducing new cultural values, practicing with hands-on projects. The process "requires planning and strategy to slowly move the company into a new position." Turnaround is usually helped along by a sense of urgency. The level of crisis can be an asset to help an organization adapt quickly.

The Travel Industry Brings Cautionary Tales

More than one airline has lost control of the interface with its clients who have abandoned travel agents, catalogues and advice-seeking. The products of many travel players in general have become an inventory item in third party systems, or last-minute competitive lists such as Skyscanner. Yet some, such as Tui, have surfed the wave. In 2014 Tui adjusted its positioning as 'best travel company online' to 'best online company within travel' redefining its business and revenue models in a major mind-shift.

Transforming the Transformers

Amrop, as a global player in a transforming executive search industry, is on its own journey, running Hyper Island workshops as part of its regional and global conference and educational agenda. Its search professionals – including researchers - unpack Amrop's value chain, moving from 'ideation' to 'implementation' –

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crystallizing ideas into the select few believed to have the most traction and deserving serious attention and processing.

Peering Through the Talent Fog

Many leaders are still in the transition from wild innovation-dreaming to concretization and their organizations lack a longer term staffing plan. A polarizing effect on hiring is emerging, with hyperactive overdrive at one end of the spectrum, and analysis paralysis at the other. Roles, furthermore, are in constant flux, and this demands agile talent and leaders willing to self-challenge and get to grips with gaps, rather than papering them over.

Dynamism Ain't What it Used to Be

For Mikael Ahlstrom, the meaning of dynamism has been "exploding" and the notion of one profile lasting a career is over. If C-suite executives such as CMO's once worked with the things they studied, today's longstanding CMO has witnessed the arrival of the internet, social media, SEO, and algorithm driven marketing.

But Some Fundamental Principles Remain

In 2007 the UK's Chartered Institute of Marketing proposed to modify its 30 year old definition of the discipline. The revised version swapped 'brevity for verbosity' according to the UK's Campaign Magazine, adding little to the 1976 formulation. Revolution and evolution need balancing, therefore, and leaders should be open to twists in the disruption plot. According to Costa Tzavaras, Director of Global Programs at Amrop: "Disruptors have often tried to displace executive search firms, only to end up providing services to them. New tech companies may well end up becoming enablers of the agents they originally hoped to displace."

Human Data

The world view of the CEOs of ten years hence will be in sharp contrast to those of today who have typically only been working with digital technology for the latter part of their careers. Interactions with executive search firms will change accordingly, with gaming tools and customized profile algorithms set to feature in searches in the not-too-distant future. Yet the human touch will remain critical to executive search. Thinking and acting 'glocal' and regional subtlety on the ground cannot and should not be replaced by standardized formula or automated assumptions about the source of the best candidates.

Don't Think Systems, Think Systemic

Faced with internal resistance and friction, an IT professional hired to 'develop apps and put in new systems' will quickly defect, Leyún warns. To retain digital talent, change starts top down. And ad hoc, transactional relationships with executive search firms are being replaced by transformative ones, based in trusted advisory.

In Conclusion

Could the answer to digital disruption lie in connectivity, humility and courage? When leaders connect with themselves, honestly assess their personal strengths and limits, their business model and value chain, when they connect leadership teams with new voices and external trusted advisors and selectively collaborate with digital innovators, the road from disruption to daylight may not look so daunting.

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From Disruption to Daylight

How Leaders Are Travelling the Digital Change Curve

Your industry may have avoided full scale digital disruption until now, but it is only a matter of time before every business will need to step up. From booking a vacation villa to buying medicines that match your genes, businesses and customers have already begun to collaborate in tailor-making a dizzying range of products and services.

Yet the journey to digital, from the way you've always worked, to the way everyone else is beginning to work, can be viscerally shocking. Executives undergo a change curve: from denial, anger, bargaining and depression, to acceptance. One grieves for one's industry in its present form as it dies and moves towards the light. Failing to embark upon the journey may cause premature commercial demise. Renaissance awaits those ready to use smart analytics and data to change how value and profit are made. For the rest there is a bleak prognosis, palliative care and daytime television.

Empty Seats

Amrop research has illuminated the digital skills gap at board level. An Amrop report, *Digitization on Boards 2016,* showed an absence of digital literacy and digitally innovative thinking to be a feature of boardrooms right across the 110 largest stock listed companies in Europe and North America.

Only four had an official technology/digital committee, leaving most Boards missing vital insights and a route into the digital ecosystem. Furthermore, just five per cent of Board Members in non-technology companies had digital competencies. Even digital-critical sectors were grossly under-equipped.

Furthermore, the representation of digital leaders on boards seemed to be stagnating. Amrop's latest research, published in 2019 (Digitization on Boards, 3rd Edition), sought to look behind the scenes. Exploring the views of C-suite digital leaders across Europe it found the digital picture still out of focus, with multiple questions surrounding its purpose and implementation. Digital leaders signalled that they were blocked by fragmented, complex structures, difficulty identifying stakeholders, and a lack of shared strategy. Only 33% felt truly supported by their boards in processing initiatives, or properly resourced. Only 18% were assigned a mentor or coach. And whilst digital leaders felt quietly confident about their own competencies, commercial thinking, risk management, security and talent management emerged as areas where gaps could potentially lie.

Digitization is an all-consuming topic across industries and Boards need to address the strategic context. It is too important a domain to leave with the CDO/CIO alone. A future business strategy includes a digital strategy and ownership and sponsorship should come from an NED and the Chairman him or herself.

Starter Motors

Naturally, start-up entrepreneurs shape their business in the context of present day technology and are often defined by it. Uber's success in the absence of fast smartphones would have been unlikely. Paypal only exists in the advent of online shopping. Working for a legacy company, by contrast, can feel like a never-ending sequence of *esprit d'escalier* moments, with great ideas rendered useless because they come moments before hearing about a start up that launched the same concept yesterday. Consequently, working in such environments can resemble a race in which the finish line never gets any closer. Desperate managers book a morning Twitter course, then hire a 23 year old app designer in the afternoon.

Too little, too late, is only part of the problem. To tackle it, hope and help may take the form of disruption consultants.

Mikael Ahlstrom is a partner of Hyper Island, a long term partner of Amrop. This digital media school was established "almost before the internet," dealing with business design, development, project management, and business analytics. He also works with large companies on digital transformation. He says his first task is to break down resistance to digital disruption among senior staff and the boardroom.

"A lot of our work is with large corporations who go from being great in an analog world and want to adapt their business in a more digitized world. We don't do that by teaching current technology, which is changing too fast anyway (when we started our best tool was CD ROM). We do it by designing learning journeys. We get people to observe what's going on around them, to watch behavioural patterns and new technologies. We make sure they use everything that's available to solve their challenges."

Embrace the Fear

At board level Ahlstrom encourages executives to create a new culture in the company. The curve moves from resistance, through panic, to curiosity.

"It sounds like a slow process but weirdly enough it can happen in a three-day masterclass. The first day there's a sense of urgency, the second day there is excitement about innovation, and the third day is: *how do I implement this and what's the next step?*"

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It has not always been so. Board resistance is decreasing now, but eight years ago, says Ahlstrom, sectors such as advertising were full of hostility: "The digital side of the advertising business was considered low end. For them to accept and eventually like working with interactive media was quite heavy work. For a while the resistance was almost total."

That turnaround is usually helped along by a sense of urgency. If an industry can see an upcoming crisis it is a lot easier to get past resistance. "If you work at a newspaper right now you know resistance is futile. The level of crisis can be a real asset for helping an organization to adapt quickly. Industries without crisis have a tougher time to mobilize the necessary adjustments."

Ahlstrom applies his methodology in a wide range of sectors at Master Classes with Hyper Island. Some are meeting 'crisis' well, others are heading for the rocks. Does success depend on the moment at which a business chooses to embrace its disruption crisis?

"Yes definitely. And we've seen many examples. The music industry, the book industry. Certain sectors just got hit without them having a chance to mobilize for it. We're seeing every day now how companies become irrelevant to their audience. And across a range of industries. In the taxi industry, they didn't imagine digital disruption could hit them at all, until Uber."

"In the media, some players had a chance to reinvent themselves at the same moment as their audience changed. But in the music industry it happened so fast the main players got hit badly. Failing to react quickly enough meant Spotify and Amazon took over the relationship with their customers."

Interface - Intercepted

In the utterly reinvented travel industry, Ryanair and other low budget carriers were quick to exploit the customer's readiness to become his or her own travel agent, using new and easy online booking platforms. But old carriers like KLM and BA remain. They did not 'Kodak' themselves. So can unwieldy legacy players in other established industries take heart from these stories?

"It's true BA and KLM are still there but unfortunately for them they lost control of the interface with their clients. Their clients used to visit travel agents, browse through their catalogues and take advice on where to travel. But now a lot of those companies are no more than an inventory item in third party systems. And their products are being shipped out in last minute lists like Skyscanner, alongside all their competitors. In the hotel industry, we used to care about hotel names but now we care about Hotels.com and other aggregation sites and have a relationship with them. Now we choose a hotel not based on the hotels' brand and marketing but on instantly visualized recommendations at the point of booking. The game changed and those who didn't change with it lost ownership."

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Digital is Not a Department

Several years ago, the large travel company Tui announced its decision to become the 'best travel company online' to meet digital challenges. A few years later it adjusted that ambition to be the 'best online company within travel'. In this way, Tui shifted industries, recognized its new competition and marked an integral change in the way everyone at the company thought of the whole. This explains its subsequent success, according to Ahlstrom, who worked with them during this time.

"They made a large mental shift. *Meaning, digital is not a department.* The whole culture of a company now competes with organizations like Spotify and other interfaces. Tui redefined their business and revenue models like an online company that happens to work in the travel industry. It's a huge mind-shift. Particularly in the Nordics they've made huge re-organizations. Now they're doing great, and they still have their relationship with their audience. They're not in the hands of affiliates. But that demands a lot of energy and strategy and a total transformation."

From Ideation to Innovation

A simultaneous expansion of its market with meaningful digital innovation of its business is a neat trick. Did Tui reinvent itself with all new personnel and a complete change at the top?

"There were lots of smart people with industry knowledge and with insights into the new tools. They managed to excel at their traditional competence in this new world and redefine their old roles as individuals and as a company. But then of course with a lot of new competences, in SEO, in analytics, in data driven areas."

Hyper Island ran a project with Tui in the Nordics educating almost all of its staff in workshops, running test-projects with students and innovative digital campaigns with the agency. The progression was thought through step-by-step. The change in attitude was not sudden, it was evolutionary.

"Transformation in a company like that is not usually just one project, it's a designed, facilitated journey consisting of a lot of different components. You must handle shifts in attitude, identify a new vision, introduce new cultural values, and then practice with hands-on projects. Transformation doesn't just happen. It's a process that requires planning and strategy to slowly move the company into a new position."

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Transforming the Transformers

Amrop, as a global player in the transforming executive search industry, is embarking on just such a journey. "Workshops facilitated by Hyper Island have become a key component of Amrop's regional and global conference and educational agenda," says Costa Tzavaras, Amrop's Global Programs Director. "We engage our search professionals in unpacking our value chain. We move from 'ideation' – where we blow open the box in a playfully disruptive way - to 'implementation' – crystallizing the ideas that spring up into the select few that we believe have the most traction and deserve serious attention and processing."

The program is inclusive. For example, the workshops occupied a large space at Amrop University's recent Campus Session for its global population of Researchers, representing countries as diverse as India, Panama, and Switzerland.

A Case of Chameleons and Rocks

Looking from sector to sector it is clear that digital disruption, as the print-media knows keenly, has purged many former business practices. But many leaders are still in the transition from wild innovation-dreaming to putting something concrete into practice and their organizations lack a longer term staffing plan. How can you know your recruitment needs if the mid-term shape of your business is unclear? And should transformation come from the top down or vice versa?

Costa Tzavaras believes the lack of clarity is having a polarizing effect on hiring. "At one end of the spectrum, companies are in overdrive, needing somebody new every two years, or they are frozen in inactivity and over-analysis and do nothing," he says. Furthermore, roles are in constant flux. "So you need talent who can change with the landscape. It is critical to find leaders who are willing to challenge their own processes and knowledge, and energetically deal with the cracks between the way things are and the way you want to do things, rather than just papering them over."

But shouldn't we expect new executives to be dynamic in this way? For Hyper Island's Mikael Ahlstrom, "dynamic' is not what it used to be. Its meaning has been exploding." The relentlessly morphing nature of the executive comes into sharp focus for Ahlstrom who remembers a time when one profile could last a career. How times have changed. "If I was a CMO 15 years ago then I worked with the things I studied.

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Then suddenly the internet came in and with websites and micro-sites you needed a completely different profile; and after that quickly it became social media driven and again you needed a different profile; even more quickly after that it was SEO driven, again a new analytical profile needed; and now the culture is programmatic which is extremely algorithm driven marketing. So being a senior person on top off all those shifts, that's quite demanding."

Still, one senior executive reminds me that although much is changing, what will not change is also important. In 2007 the UK's Chartered Institute of Marketing proposed to modify its 30 year old definition of the discipline in light of globalization, the internet, the proliferation of channels, relationship and service marketing.

The revision was greeted with cynicism by marketers. It swapped 'brevity for verbosity' according to the UK's Campaign Magazine, adding little to the 1976 formulation: *the management process responsible for identifying, anticipating and satisfying customer requirements profitably*.

This all suggests the need to balance revolution and evolution. Leaders should also be open to surprising twists in the disruption plot. Costa Tzavaras: "disruptors have often tried to displace executive search firms, only to end up providing services to them. New tech companies may well end up becoming enablers of the agents they hoped to displace."

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The twin engines of legacy and change still drive the profitability of many businesses in, as yet, relatively undisrupted industries. But as the disruption wolves scratch at the door, the lack of digital competence at executive level becomes stark, as revealed by Amrop's Digitization on Boards Report.

Executive search represents a bridge between companies and individuals, both of which are now experiencing irrevocable change thanks to technology. But for many companies, it's debatable whether digital strategies are needed. Perhaps it's more realistic to think about strategies that are active in a digital world. Amrop, for example, is handling new technology in a collaborative way, working with different specialist providers in terms of databases, apps, and innovative customer interfaces.

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One thing is for sure: the CEOs of ten years from now are currently in their late 20s to mid 30s and their world view will be in sharp contrast to the CEOs of today who have typically only been working with digital technology for the latter part of their careers.

However, industry observers doubt that an algorithm is set to replace the human touch in executive search any time soon. Rapacious digital disruption in the hunt for executives is unlikely. The needs of hiring organizations in Peru, Poland, China, Germany, or the US are so distinct that thinking and acting 'glocal' is essential - and that means regional subtlety on the ground. Applying the same formulae whether you're in New York, Madrid or Tokyo, may not be the best approach. Nor is it wise to make automated assumptions about where the best candidates are coming from. Balancing global resources with local needs and cultural norms, remains essential.

Don't Think Systems, Think Systemic

For some legacy companies, to see the world as a huge recruitment bank of potential takes some convincing. Established commercial and academic networks are tried and trusted. How do you tackle an old fashioned business that doesn't feel disruption too heavily and wants to gently digitize with token efforts?

Legacy companies are facing a tremendous need for new talent. People who think differently about the business. If you hire an IT professional to develop some new apps but you don't change your culture, he or she will leave in a year after facing too much resistance and friction.

Human capital challenges still demand trusted advice. This is a long way from putting three interviewee names on a piece of paper on the desk of a Hiring Committee. Instead it's critical to install professionals who can interact and be the engine for transformation of the entire company.

"If companies don't embark on this track then in the short term they will keep customers like my grandmother," a senior Amrop executive confided, "but my children will not dream of buying their products. This is a change in philosophy. And it's the last train before someone more agile makes a takeover bid."

In Conclusion

Could the answer to digital disruption lie in connectivity, humility and courage?

When leaders connect with themselves, honestly assess their personal strengths and limits, their business model and value chain, when they connect leadership teams with new voices and external trusted advisors, and when they selectively collaborate with digital innovators, the road from disruption to daylight may not look so daunting.

The first step does not need to be a giant step, but it does need to be taken, and it should not be taken alone

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From Disruption to Daylight

10 ways to surf the curve

1	**Fasten your seatbelt and get a co-pilot:** Prepare for a range of emotions, from resistance, through panic, to curiosity. A facilitated masterclass with a disruption consultant can make the journey exhilerating rather than terrifying

2	**Link the thinking:** Transformation is rarely a one-project affair, it's a designed, facilitated journey, requiring planning and strategy to slowly move the company into a new position:
	   – Shifts in attitude
	   – A new vision
	   – New cultural values

3	**Use crisis as a catalyst:** A sense of urgency can power a turnaround. Crisis-free industries can have a tougher time mobilizing
4	**Take the bull by the horns:** Failing to react quickly enough allows agile players to take over the interface with your customers
5	**Remember - Digital is not a department:** A mental shift is called for. Don't think systems, think systemic
6	**Mix it up:** Involve bright young minds as well as seniors in workshops, test projects and campaigns
7	**Curiosity beats knowledge:** One profile no longer lasts a lifetime. The best talents are highly adaptive, constantly challenging their own processes and knowledge
8	**Be discerning:** It's critical to identify enduring business principles and segments of your value chain and value proposition. Then balance evolution with revolution
9	**Know your limits, collaborate and test:** For innovation, be prepared to strike up selective collaborations with specialized start ups, to test, fail and test again
10	**Move from transaction to transformation:** When hiring for digitization, expect a strong executive search partner to address your business context, rather than grafting on a token technical expert.

About Amrop

With over 70 offices around the world, Amrop is a trusted advisor in Executive Search, Board and Leadership Services. Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

Amrop works to assure the design and implementation of diverse, forward looking and connected boards. We act as Trusted Advisor to Executive, Supervisory and Advisory Boards all over the world, across a spectrum of industries.

About the global Amrop Digital Practice

Amrop's Digital Practice is configured to anticipate and respond to demand in:
AI/Machine Learning & Big Data Analytics
Chief Digital Officers (CDO) & Digital NEDs
— Cybersecurity
— E-Commerce
— Scale-Up, Venture Capital
— Media & Entertainment
— Healthtech
— Telco

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