



TALENT 3.0

Solving the digital leadership challenge — a global perspective

SpencerStuart

ABOUT THE STUDY

In light of the growing importance of digital technologies to our clients globally, Spencer Stuart set out to learn more about the evolving role digital plays in business strategy across industry sectors and its impact on operations and, especially, the implications for building digital executive leadership and talent. For the purposes of this study, “digital” refers to a broad range of Internet-based and mobile technologies enabling an evolving set of communication, collaboration, sharing, marketing, e-commerce, research and information platforms.

We held extensive interviews with 50 senior general management, marketing and e-commerce leaders. These executives crossed geographic boundaries, with half of the participants from North America, 34 percent from the U.K. and Europe, and 16 percent from Asia Pacific. They also represented a wide range of industries, including retail and consumer products, agencies and other professional services firms, financial services, telecommunications and cable, media, travel and hospitality, life sciences and industrial.

TEN SUGGESTIONS FOR THRIVING IN A DIGITAL WORLD

Our discussions with digital leaders around the globe highlighted 10 surprisingly consistent practices that successful organizations embrace. These include:

- 1 Building a comprehensive digital strategy that is shared broadly and repeatedly across the organization.** In other words, you will never reach your destination if you do not know where you are going, how you are getting there and who is on the bus. A well-articulated digital strategy that supports the core strategic drivers of the business will assist the organization in identifying and prioritizing new business opportunities and anticipating emerging competitive threats. Board, CEO and senior executive-level commitment to a defined strategy will facilitate alignment and resourcing.
- 2 Embedding digital literacy across the organization.** Digital is about much more than marketing campaigns. It is also about internal communications to employee groups; external communications to vendors, suppliers and shareholders; product and market research; and multi-regional, 24/7 real-time collaboration. Digital success ultimately will be measured by the seamless integration of Web 2.0-and-beyond technologies across most business activities and processes.
- 3 Renewing focus on business fundamentals.** The Internet and digital technologies provide a platform for new competition — which can come from anywhere at any time. Your company, your employees and your product or service are fully exposed, for better or for worse. The best digital strategy will not compensate for poor product quality or frustrating customer service.
- 4 Embracing the new rules of customer engagement.** The customer is in control, now able to buy products or services online anytime and anywhere, with more information than has ever been readily available. Marketing is becoming less about pushing brand messages and more about brand intimacy through ongoing dialogue with customers. Organizations should strive to listen and inspire and ensure that digital interactions with customers are respectful, relevant and responsive.
- 5 Understanding global differences in how people access and use the Internet.** There are significant distinctions in access, adoption and consumption of digital across regions of the globe. Winners will prioritize geographic opportunities when executing digital initiatives and building teams, and localize programs to account for differences in culture, competition and lifestyle needs. Local dynamics will increasingly inform global strategies and serve as a source of experimentation and breakthrough creativity.
- 6 Developing the organization's analytical skills.** Data is becoming the currency of success in a technology-driven world. Tomorrow's winners will be those able to extract and apply insights from data to stake out a distinctive market strategy, find the best customers and charge them the right price, provide exceptional customer service and create relevant marketing programs that drive customer behavior.

- 7 Focusing on the customer experience.** Placing the customer at the center of strategic and tactical decision making allows companies to break down organizational silos and overcome persistent operational and resource issues that can impede technology-driven initiatives.
- 8 Developing leaders with skill-sets that bridge traditional and digital expertise.** Adding a successful digital dimension to your business is hard work, requiring intense attention to detail and operational excellence. Experienced senior executives who did not grow up in a digital world must be willing to invest the time to learn about digital technologies and the opportunities they present, while up-and-coming digital leaders need to broaden their experience and build classic business management capabilities.
- 9 Paying close attention to cultural fit when recruiting digital leaders.** Web-centric and web-enhanced cultures are becoming more similar, yet are still worlds apart in many organizations. Organizational cultures that promote innovation and collaboration, minimize functional and business silos, and focus on the customer are more likely to thrive in a digital world. Companies need to find and empower leaders who can advance digital objectives, given the pace, values, intensity, structure, decision-making process and role of digital in the business, and are willing to jolt an entrenched culture when necessary.
- 10 Understanding the motivations of top talent.** The simple reality is that the best digital talent is still in short supply and much more mobile than other functions. Organizations optimize their ability to attract top digital talent with: a clear digital strategy; overt C-level sponsorship; an entrepreneurial culture that values experimentation and creativity; and a reporting structure that empowers leaders with digital skills.

THE PAST YEAR REPRESENTED A WATERSHED MOMENT FOR DIGITAL, marked by a dramatic increase in digital activity in markets around the world, innovations in mobile technologies and social media, and significant shifts in media spending. Advancing technologies are spurring the development of a wave of collaboration and information-sharing tools, as well as exciting new mobile applications to feed the rapid adoption of smartphones and 3G devices. The global economic slowdown further accelerated investments in digital infrastructure, as companies redirected spending to more cost-effective and metrics-driven digital initiatives.

With more and more consumers embracing these technologies, few companies are willing to risk being on the sidelines without a robust approach to digital. Digital today is a key pillar of the commercial strategies of a growing number of companies, regardless of industry. And the fate of digital initiatives is no longer in the hands of a few evangelists; digital has become a priority at the very highest levels of corporate leadership with the growth in investments in digital platforms, media and personnel.

Conversations with senior general management, marketing and e-commerce leaders from companies around the world revealed several themes:

- > The rapid growth in digital adoption overall masks wide variations among industries and geographies. Global differences in how customers and potential customers access and use the Internet have implications for how companies execute digital initiatives and build teams in different markets.
- > As digital becomes a more important component of strategy, organizations will need leaders who possess classic business management and leadership capabilities that will enable them to lead the organization through cultural and structural shifts. Organizations will also need to make a conscious effort to develop future leaders with the ability to operate in technology-driven environments.
- > Traditional “from the center” brand-building and communications approaches are losing their effectiveness, with dramatic implications for the way markets are reached and nurtured. The skill-sets required for marketers of the future are undergoing significant evolution as a result. Quite simply, observed former Unilever global CMO Simon Clift, “We’re on the cusp of a massive change in how brands work and how advertising works.” The model of the future will require brands to

engage consumers with useful information and entertainment, such as sponsored content, mobile applications, gaming and social networking applications, where and when consumers want. Marketers and marketing agencies also will need to proactively develop “new norms” and new processes to fully exploit the opportunities presented by digital.

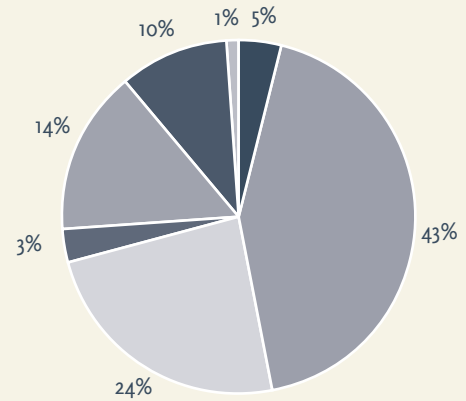
- > The rapid pace of change and the organizational challenges digital presents suggest that companies will need to rethink traditional roles or create new roles in the future. For example, as marketing evolves to become more of a conversation with key customer groups, the role of brand leader or product marketing leader may give way to leadership roles responsible for specific customer sets. Companies may also experiment with new senior-level digital positions responsible for developing and coordinating digital practices across the corporation and staying abreast of advancements in digital technologies. In addition, many boards are beginning to boost their own digital IQ by recruiting directors with digital expertise.

- > The macro challenge for organizations is to successfully harness the disruptive power of digital (i.e., innovation of superior business models and modes of customer interaction and engagement) and the transformative power (i.e., enhancement of existing processes such as purchasing and internal communications and collaboration). “Organizations need to have a mindset that is open and ready for change, and be willing to rethink and re-invent parts of their business. Enterprise is no longer constrained by time, space and geography. An aggressive test-and-learn mentality is very helpful,” said Shafiq Khan, senior vice president of global e-commerce for Marriott International. “Managing very rapid obsolescence is a key challenge, as is working with legacy infrastructure. Overall, today’s digital is at the pre-Ford Model T stage, with its best yet to come.”

Global Internet Use

Global Internet use has increased by 400 percent in the past 10 years. Today, there are approximately 1.8 billion Internet users around the world. Here is how Internet use breaks down around the world:

Africa	5%
Asia	43%
Europe	24%
Middle East	3%
North America	14%
Latin America/Caribbean	10%
Oceania/Australia	1%



Source: Internet World Stats, as of December 31, 2009

EMBRACING DIGITAL: AN INDUSTRY SNAPSHOT

The rapid adoption of technology and the proliferation of digital channels and platforms are profoundly changing the operations of individual businesses and the dynamics of whole industries. Digital is remaking the way companies sell to and serve customers and how they market to and communicate with consumers — often requiring very different skill-sets than companies needed in the past. How far companies have progressed in their digital evolution can vary significantly depending on their industry, geography, business model and strategy. Here is a snapshot of some of the ways digital technologies are changing the operations of companies.

Financial Services: Having seen the potential of digital early, the financial services industry has a well-evolved use of online channels for customer acquisition, account management, mobile alerts and mobile banking. The banking industry recognized the disruptive power of the Internet in the mid-1990s, as pure-play companies like E*Trade Financial Corporation arrived on the scene, offering lower-cost stock trades via the Internet. Banks quickly embraced multichannel strategies because of the value of cross-selling to customers between channels. Multichannel bank customers have half the attrition rate of other customers, and online bill pay is very “sticky,” according to Sona Chawla, former executive vice president of Internet services at Wells Fargo & Co. and now senior vice president of e-commerce at Walgreen Company. Furthermore, multichannel bank customers grow their balances faster and consolidate accounts in their primary bank, she said.

Information Services: At IBM, digital technologies continue to transform operations, improving productivity, supporting collaboration and self-service offerings, and connecting the large number of employees who work at client worksites and other non-traditional workplaces — a group that represents 40 percent of the company’s 400,000 employees. In the future, digital technologies will be a primary driver of three key business priorities for IBM: geographic growth, especially in emerging markets; broader customer reach, especially to smaller businesses that have been difficult for IBM to serve in the past; and the introduction of new offerings. “We see digital being vital to all of our growth initiatives. The economics of digital is such that it gives us a lot of firepower with the same amount of resources,” said Jon Iwata, senior vice president, marketing and communications, IBM.



Airlines: Other companies and industries find themselves at more of a midway point in their digital evolution. These companies already have established an e-commerce presence or are leveraging digital to reduce operating costs or improve customer service, but see the opportunity to do much more. The airline industry is one example. Internet sales already represent a profitable and sizeable share of airline ticket sales in some markets; for example, 60 percent of Air France-KLM's air travel sales in the U.K. are done online, according to Maartijn van der Zee, vice president of e-commerce for Air France-KLM. Digital technologies also enable popular customer service offerings such as self-service check-in and Internet check-in, which also reduce the airline's costs. However, airline executives state that they are building for a future in which they will better leverage their direct access to consumers via their e-commerce sites, requiring a new way of thinking about the business and new skills. "We've been transforming our marketing function from an airline marketing area to a retail marketing area. Truthfully, we've under-appreciated that cheap flights actually draw people into our online shop. We ought to be offering customers more things when they come. It's a very different mindset from the past," said the head of sales and marketing for a major European airline.




Retail: Retail pure-plays such as Amazon.com, now a \$24.5 billion company, and other Internet innovators like Dell Computer understood early the potential of the direct-sales model through the Internet channel and addressed the early-adopter market. Today, new retail "membership" models such as Gilt.com and Shoedazzle.com continue to rewrite the rules of customer engagement. But digital is becoming increasingly important to all retailers. Online sales already represent the fastest-growing segment of retail, but, more and more, retailers also view digital as a way to drive sales in other channels and learn more about customer behavior and preferences. As they look to the future, retailers are focusing on providing a more seamless experience across channels and improving online merchandising. "A key priority for us is to combine Internet technology with the emotional experience the consumer has in a store — to focus on the shopping experience as a social, personal and inspirational event," said Paul Nijhof, CEO of wehkamp.nl, the largest Dutch online store. Barnes & Noble signaled the importance of digital and multi-channel strategies to its future when it named Bill Lynch, the former president of its fast-growing e-commerce business, as the corporation's CEO in early 2010.


Companies like Nike view digital to be as much a communication channel to engage customers as an e-commerce channel. The company is using digital to develop new offerings and new communities of users through initiatives such as Nike Plus, an RFID chip within certain shoes that links to a consumer's iPod and logs mileage to training programs; and Nike ID, which allows consumers to custom design a shoe for fit or style, said Chris Shimojima, vice president of global e-commerce for Nike. "Nike has adopted digital as a very important enablement of our future growth, in terms of how we do business, how we communicate with consumers and how we actually create products for customers," he said.



Automotive: Automotive consumers want access to accurate information about vehicle fuel economy, pricing, reliability, space requirements, horsepower and color, and most are coming into dealerships well-armed with this information. "Consumer research has confirmed that more than 70 percent of buyers are doing research online, typically looking at seven or eight different websites in the research process," said Charles Sullivan, former director of interactive for Chrysler and now senior vice president of global online for Hilton Worldwide. This provides carmakers with the opportunity to influence consumers at key points during their decision-making process, he said. Digital also is lowering advertising costs for dealers, from \$370 per vehicle sold to \$110 or less per vehicle sold, and reducing the amount of time car purchasers spend in the dealership by half, he said.

 **Media:** Traditional media companies are responding to a radical transformation occurring in the delivery and consumption of media content and marketing messages. This has eroded the profitability of traditional channels and created a slew of new competitors in the digital world, including Huffington Post and The Daily Beast, which both generate new content and aggregate content from other sources. Erik Huggers, director of future media and technology for the British Broadcasting Corp., explains the challenge to traditional media companies like this: “The BBC is the largest news-gathering organization in the world. It employs more journalists than any other company in the world; yet in this country, 10 percent of online news consumption already happens on Google news. Google news is seen as a trustworthy news provider, yet they don’t write a single word.” The key challenge for media companies in the future, said James Bilefield, president of Condé Nast International, is to leverage effectively the strength of their brands, as well as their extensive editorial and commercial relationships, across a range of digital and other new platforms and channels.

 **Marketing Services:** Advertising, public relations and marketing agencies face a similar challenge, as consumers increase their use of digital platforms and channels. “The continuing challenge is that the agency model has a lot of moving parts, not the least of which is the whole area of content and the creativity that is needed to fill those channels. How do you start to create content and creative ideas that are as comfortable in an online digital environment as they are in a more linear broadcast environment? That is the next stage in the journey,” explained Maurice Levy, chairman and CEO of Publicis. Agencies must keep pace with the rapid advances of technology, understanding both the technology’s potential and its relevance in targeting consumers. At the same time, they face pressure to keep down costs and provide more accountability for results. These changes have significant talent implications for agencies, both in client management, where the traditional relationship-based model is becoming less relevant, and in the technology and creative areas, where firms have to invest in new applications and prototypes, even without a specific client assignment. “In a business where change is happening so quickly and, literally, what we do today is very different than what we did even months ago, the talent and the development of talent become central to remaining at the forefront of the industry. Rapid industry change puts great focus on ensuring that we are recruiting the right kinds of people, that we are developing them, and that we are working to create a culture that embraces the pace of change,” said Laura Lang, global CEO of digital marketing agency Digitas.

 **Consumer Packaged Goods:** Many CPG companies are at an earlier stage in implementing digital strategies, viewing digital channels as playing a complementary role in their marketing efforts, depending on the brand and target customer base. Some CPG companies have successfully used digital channels to launch new brands to younger consumers or deepen ties with a product’s target demographics. Unilever, for example, leveraged digital to launch Axe men’s product line in the U.S. and made news with the Dove “Campaign for Real Beauty” viral videos. Nevertheless, most CPG marketers admit to having a conservative approach to digital. “Our aim is not to be at the forefront,” said one CPG marketing executive. “Our aim is simply to find the most appropriate way to communicate with our customers and people internally. When you look at it that way, you are not worried about whether you are doing the latest thing. From our experience, the first-mover advantage can really be just an ego advantage, not a commercial advantage.” But many predict digital will be vastly more important for the future, as marketing and advertising models continue to evolve and the benefits of integrating digital tactics become clearer. One CPG company has found that marketing initiatives that include a digital component achieve double-digit incremental sales gains. Similarly, comScore’s Consumer Package Goods Ad Effectiveness Study found that online campaigns have generated an average lift of 18 percent in brand sales in retail stores among those consumers exposed to online ads.



Life Sciences: Life sciences leaders, too, are trying to determine what role digital should play in their businesses. The consumer’s ability to access online health information to learn about diseases and the latest treatments is changing the nature of conversations with physicians. This has implications for how pharmaceutical and medical device companies market to consumers. To help satisfy this thirst for medical knowledge, pharmaceutical companies, for example, are using the Internet to educate consumers about certain disease states, while maintaining separate product websites. The life sciences and healthcare arenas are examples of business sectors that are expected to undergo substantial transformation due to digital technology and the continued digitization of medical records and tracking of outcomes.

PREPARING FOR A DIGITAL FUTURE: THREE BROAD THEMES

Digital already is driving significant changes in customer behavior, the competitive landscape in many industries and the operations of many businesses. What will the future bring? Several trends seem likely.

Organizations will have to get comfortable with unprecedented levels of transparency and embrace new ways of interacting with their customers.

The Internet has transformed the way customers make purchase decisions through the power of personalized product recommendations, product rankings, comment boards and reviews, blogs and price comparison sites. Consumers now have the tools to control the agenda — to weed out the information that is not relevant to them and find the information that is — and the platforms to share praise or criticism for the brands they use. “If you’ve got something really great, you’ll have advocates and influencers who are speaking on your behalf. On the reverse, if

you’re not doing something well, that will show up very quickly through features like user-generated ratings and social web capabilities. This will accentuate the winners and the losers when it comes to prod-

In the U.K., shoppers will spend £7.2 billion buying groceries online by 2014, nearly double what they did in 2009. Institute of Grocery Distribution

uct quality,” suggested Randall Beard, general manager for Nielsen’s global CPG business and former head of global marketing for UBS Wealth Management.

The gatekeeper role of traditional media, in which news organizations decide what is news and communicate it to viewers and readers, is eroding and, increasingly, “what’s news” is being defined by the users of digital. As a result, companies need to adopt new ways of getting information to their target audiences and, importantly, adopt a willingness to listen to what those audiences are saying. Even beyond the quality of products or services, consumers are broadcasting views on a host of other concerns, ranging from workers’ rights to how ingredients are sourced or disposed of, through blogs, social networking sites and even company websites.

“You have got to be part of those conversations that are taking place around your products and services and have your employees and even your customers be out there as experts in those conversations,” said Alan Scott, former CMO of Dow Jones & Company’s Enterprise Media Group. “If every transaction and interaction that you have with the marketplace is a positive, valuable one, you’re going to be seen as expert and trustworthy.”

Companies have to decide how to participate in those conversations, what skills they need to do it and who should be responsible for responding, including the extent to which employees throughout the organization should be em-

powered to engage in social media on the company's behalf. For many companies, this could require dramatic cultural change. "If you're really going to engage your customers or your employees and ask them questions or say that you want to hear from them, you better be prepared to do something with what you hear. Culturally, that requires the organization to be much more transparent and much more conversational," said one digital leader.

This new model is less about "pushing people to action than inspiring people to take action," marketing leaders say, and brands will increasingly have to provide content that delivers utility, information or entertainment relevant to target customers. As a result, classic brand marketing roles, traditionally linear and functionally driven, may give way to more fluid and customer-centric roles that look more like community marketing or client management roles. "Three to five years from now, the brand manager will have to be the 'conversation leader,'" predicted Carla Hendra, chairman, Global Strategy & Innovation, Ogilvy & Mather Worldwide.

Companies will need to understand the many flavors of digital around the world and build an organization to support geographic differences in Internet use.

Although the Internet has always been a global platform, it was dominated by the U.S. in its early years. In 1996, U.S. Internet users accounted for 66 percent of the total user base; today, 85 percent of Internet users are outside of the U.S., according to Gian Fulgoni, co-founder and chairman of comScore. Furthermore, digital technologies are used differently around the world. For example, as many as 30 to 40 percent of Internet users in some Asian and Latin American countries access the Internet at Internet cafés rather than a home computer, and mobile use is more prevalent and more sophisticated in Asia Pacific than in North America. "There are big differences in mobile usage around the world, largely due to differences in telecommunications infrastructures. Asia Pacific, for instance, has a well-developed mobile e-commerce market, where you can make purchases with a mobile phone — even call a vending machine — but that just hasn't happened yet in North America," Fulgoni said.

In India, mobile phones are remaking the music business, said Shridhar Subramaniam, managing director of Sony Music India. Indian consumers are spending \$2 billion on mobile music downloads for ringtones or ring-backs; by comparison, the total value of the Indian music industry through sales of CDs, licensing and performances is about \$120

million, he said. "The mobile phone has been a game changer for the music business in India," said Subramaniam. "Some 450 million people own handsets. Comparable ownership levels for other devices are 100 million TV sets, 20 million CD/DVD players, 40 million radio sets and maybe 5 million to 10 million high-end audio component systems."

The top three Internet applications in China during 2009 were online music (84% utilization), online news (80%) and search engines (73%).

China Internet Network Information Center

These differences in how and with which devices people access the Internet — as well as differences in languages and other cultural preferences — mean that a single, global approach to digital initiatives will not work. "The brand is formed by local interaction," said William John Harris, marketing director for Nokia U.K. "You can't do global virals. Our goal is to have the best digital talent and embed digital in everything we do around our geographic network."

This not only requires sophisticated digital talent at headquarters but digitally savvy people, internally and in agencies, around the world to execute relevant digital initiatives in local markets — and contribute to global digital strategies. "The best global talent does not want to receive orders from headquarters; they expect to be able

to innovate on their own terms and inform global strategy from emerging markets,” said Torrence Boone, managing director of agency development for Google. “As an example, some of the best and most interesting creative work is coming from places like Brazil and Shanghai. The best talent-driven organizations will recognize this and restructure or build processes accordingly.”

Marketing is becoming a more real-time discipline

Digital provides marketers with exciting new tools and platforms to attract, engage, convert and retain their target customers, including search engine optimization, website optimization and e-mail continuity, but increasingly marketing is happening on the consumer’s timetable. “People want to be marketed to, but only when they’re raising their hand and saying, ‘I’m ready to be marketed to.’ The Internet provides everybody the opportunity to opt in when they’re ready to make a purchase decision. Brands still have an opportunity to interact with them, but the points of influence are completely different,” said Brian Hansberry, CMO of H.J. Heinz Company.

Influencing consumers at those key moments will require a deep understanding of customer behavior and preferences. Furthermore, to improve their ability to deliver the right relevant content to the right customers at the right time, marketers will have to become increasingly proficient with analytics. As one marketing executive put

it, “Data will be the currency of creative going forward, and the challenge will be to extract insights from the data and do something with them faster than competitors.” The role and compensation of techni-

Revenue from mobile phone applications is expected to rise to \$6.8 billion in 2010 (from \$4.24 billion in 2009) and \$29.5 billion in 2013. Gartner

cally skilled marketing science leaders (i.e., data, analysis and insights) is being elevated to a senior strategic level, especially for those who bring a high degree of interpersonal and leadership qualities.

While innovative and creative thinking will always be important to successful programs, marketers will have to let go of their overriding faith in gut instinct. “Digital is challenging the mindset of ‘here’s what we are going to communicate.’ It’s forcing marketers to look at what customers really interact with and figure out what that tells them. They may develop all this beautiful creative on their websites, but if the customer never interacts with it, they’re really just speaking to themselves,” said Nick Bomersbach, vice president of digital marketing and customer experience for J. C. Penney Company.

TALENT GUIDELINES FOR BUILDING A DIGITAL ORGANIZATION

Talent remains a significant challenge for most companies’ digital strategies, whether it is acquiring and retaining experienced digital talent, grooming future leaders or developing new skill-sets for the challenges ahead. Here are our suggestions:

1. Help migrate the digital immigrant.

Very few developments expose the gap between generations as much as the rise of digital. On one hand is the digital native, in his or her early 30s or younger — who grew up with digital technologies and is entirely fluent in their use; on the other hand is the “digital immigrant,” who did not grow up with the Internet or mobile phones. Digital immigrants, many of whom are an organization’s most experienced senior leaders, have had to learn how to use these technologies and train themselves to see the commercial possibilities and to understand the range of implications related to the transparency and consumer empowerment that arise from digital.

Building Digital Capabilities Over Time

	Phase of Digital Development			
	Infancy	Adolescence	Developed	Mature
Required Leadership Skill-sets and Traits	<p>Hands-on, more entrepreneurial</p> <p>Strong building mentality</p> <p>Able to influence resources in a matrixed environment</p> <p>Resourcefulness</p> <p>An evangelist for digital, able to impart a sense of excitement throughout the organization</p> <p>Analytical skills</p>	<p>Able to evolve the organizational structure and talent base</p> <p>Commercial, marketing intellect</p> <p>Able to prioritize somewhat limited funding and investment decisions</p> <p>Internal evangelizing</p> <p>Inspirational leadership</p> <p>Analytical skills</p>	<p>Stronger general management capabilities</p> <p>Able to recruit key talent into larger functional roles</p> <p>Evolve infrastructure for more complex future operations</p> <p>Cross-functional influence</p> <p>Skill in developing well-supported business cases and plans to encourage substantial investment</p> <p>Analytical skills</p>	<p>Broad-based business leadership</p> <p>Top-level credibility</p> <p>Experience in dealing with complexity in scope and scale</p> <p>International experience, exposure</p> <p>Increasing financial acumen</p> <p>Strong ability to relate across the enterprise at all levels</p> <p>Analytical skills</p>

The Right Structure

The organizational structure of digital and e-commerce operations is continuing to evolve. One of the more significant questions is the degree to which companies should integrate their digital and e-commerce operations into the broader corporate structure. There is no “one size fits all” solution.

Organizational structure is determined by the broader commercial strategy and business model, objectives for digital investment, nature of the product or service being offered, the intended market, physical footprint of the business, dominance of other channels, and how advanced the current digital effort and capabilities are. The more mature and developed the digital efforts are, the more integrated they appear to be. The most significant downside of integration is slower response times to changes in the market and unwanted bureaucracy. This can be especially challenging with web-centric competitors that are not burdened with legacy organizational structures. There is widespread agreement that global programs need to be driven at the corporate level and executed locally with the proper level of sensitivity to local practices and cultures via regional pods of digital talent.

Unilever’s Simon Clift commented that he has observed a “lost generation” situated between the young managers who grew up in a digital environment and those 50 and older who have teenage children and see first-hand how digital technologies are being used. “Most of our brands are run by people between 30 and 45 and they neither have kids living in the space nor use it themselves. It’s a bit like asking somebody who’s never seen a TV ad in the 1960s to make great television advertising.”

But other executives said the bigger challenge they see is translating the opportunities of digital to the senior management team. “It’s really difficult to talk to one generation in the vocabulary of another. And for digital to really take root, at least in the CPG industry, it’s going to require either the natural evolution of leadership or it’s going to require existing leaders to take a leap of faith and buy into some concepts that they don’t fully understand,” said another marketing executive. “It’s amazing how difficult some things have been to get accomplished until the children of my senior management tell them the same thing I’m telling them.”

Business leaders have to know enough about digital to understand what platforms the company should be investing in, based on the brand and customer base, as well as what can be supported by the organization. These leaders need to make sure they stay up-to-date on digital technologies, using them in their personal lives to better understand their potential, reading about and researching new technologies, and taking advantage of training offered by digital agencies, executives said.

Spending on interactive marketing in the U.S. will reach \$55 billion by 2014, representing 21% of marketing spending, compared with 12% in 2009. Social media and mobile marketing will be the fastest-growing segments of interactive marketing. Forrester Research

Beyond the technical skills, Google’s Boone sees a new model of cutting-edge leadership emerging for the digital era — a “post-heroic” model in which the leader facilitates an organization’s ability to find the answers rather than dictating the answers. “You need versatile, open, collaboration-oriented leaders. In

order to drive aggressive innovation, it’s critical to have leaders who recognize they don’t necessarily have all the answers, but can create an environment that allows different points of view to come to the table. Leadership needs to be comfortable in the messiness and uncertainty that allows breakthrough-thinking to happen. That is how the most successful organizations in this space operate,” said Boone.

Experienced general managers who are willing to invest time in learning about digital can make the transition to a more digital business, said Bill McDonald, executive vice president of brand management for Capital One Financial Corp., comparing the challenge to a surgeon keeping up with advances in medicine. “What we’ve found over time is that the people who were great managers who dove into the digital space and had a lot of hands-on experience have done very well. The core managers who have been willing to ‘go deep’ into this channel have thrived. These individuals have a personal passion for the Internet.”

2. Develop the business knowledge and management fundamentals of digital natives.

Conversely, younger executives who have an intuitive understanding of digital should be groomed to develop classic business management and leadership capabilities and a thorough understanding of the business and how decisions impact the top- and bottom-lines. These leaders will have to work fluidly across functions and collaborate with people throughout the organization, especially in an integrated environment, to sell programs internally, get the necessary talent and financial resources and break down the barriers to cooperation between the channels. To do this, they will need to understand the issues and objectives of other functional areas and find ways to work together to accomplish common goals.

“The future leadership of our business is going to come from individuals who have bridged both the traditional and digital retail worlds,” said David Polston, CMO-Services for Sears Holdings Corporation. “The reality is that in an organization that is historically centered around merchandising, it’s difficult to imagine it ever being successfully led by a pure technologist. More likely, future leaders will have had a number of years in the e-commerce channel, as well as in the classic retail merchant organization.”

Digital leaders who allow themselves to become siloed within the technical confines of their roles will narrow their career paths. “Digital leaders need to develop skill-sets outside their comfort areas and take on added responsibilities to advance their careers, including branding, mass media and customer service. Many of these individuals, because they have been focused on the job at hand, have not thought proactively about developing their careers,” said Marriott’s Khan.

Fortunately, many have the opportunity to gain exposure to broader business issues and different functions through stand-alone digital businesses. These e-commerce units can provide up-and-coming executives with the opportunity to take on general management roles sooner than in the traditional business. The head of e-commerce for one U.K. retailer described her part of the business as a “mini-management training ground,” where promising executives can operate outside a single functional area and take on broader general management responsibilities. “We’re trying to build much more of a general management mindset amongst our senior leaders, which is quite appealing to executives across the company.”

3. Building highly diverse teams representing digital and traditional business experience is optimal.

Individuals with both the business savvy and the expertise in digital — those who are grounded in the business and knowledgeable about the rapidly evolving digital environment — are in limited supply relative to market demand. As the talent pool continues to develop over time, organizations should, in the short term, focus on building a team with the right mix of skills. “The ideal leadership profiles are those who speak both the language of traditional retail and the language of digital, but those profiles are so rare that you have to compensate by building such diverse competencies within a team,” said the general manager of a leading French online retailer.

Given the dynamism and the fluidity of the current environment, a primary goal for Lang at Digitas is to build a strong team with diverse experience and viewpoints who can help the organization think through the opportunities and challenges before it. “Diversity is going to be critical. When I say diverse I mean diversity of thought, diversity of approach. A really strong senior leadership team in an industry that is changing quickly is one that includes people who think very differently and are able to work together. We need linear thinkers and we need laterally creative thinkers, because too many of either one is not going to get us where we want to go,” she said.

400 million Facebook users log on each month and 50 percent of Facebook users log in on any given day. Facebook

4. Hire for cultural fit.

Almost universally, the leaders we interviewed remembered their mis-hires as people who could not adjust to the culture of the organization. For example, many executives of larger organizations said the executives who failed in their companies had the digital skills, but lacked the experience working within complex organizations.

“The usual ‘startup-guys’ have trouble adjusting to bigger organizations and normally exit after one or two years. Most of the mis-hires have had problems moving from a free-flowing, highly intense startup culture into a corporate environment, where they had to cope with leadership challenges, hierarchies, formal processes and slower decision making,” said the executive of a European telecommunications company. The culture shock can go both ways. Mis-hires at companies with advanced digital capabilities typically are those from traditional backgrounds who struggle to adjust to the intense pace and speed of decision making of an Internet business.

These experiences underscore the importance of assessing candidates' cultural fit with the organization, which can depend on factors such as the scale and strategic importance of the digital business, how the business is organized, the level of resourcing available, how decisions are made, the pace of the activity and the degree of senior-level support for digital initiatives. At the same time, organizations should identify and address those elements of culture that impede the kind of collaboration necessary to drive digital initiatives.

5. Retain your digital talent.

The reality is that during boom times, you are at risk of losing a very significant portion of your digital talent. Executives we spoke with said that they receive multiple overtures on a weekly basis. Attraction is only half the battle in today's digital talent market. The good news is that if you solve for one (i.e. attraction or retention), you more than likely solve for the other. In other words, attraction and retention are opposite sides of the same coin.

China's 51.com has 14 million average weekly unique browsers, and 150 million Qzone users actively update their accounts at least once a month.

Asia Pacific Digital Marketing Yearbook 2009

Executives change jobs due to lack of resources, limited growth opportunities, or lack of communication and clearly articulated strategies. Executives stay because of the opportunity to make an impact, job content

and compatibility with senior management. A strong and healthy corporate culture, the caliber of leadership at the top and a clearly articulated vision are also important. Proactive career pathing, compensation and quality of life are further considerations for many digital executives.

6. Develop the organization's analytical skills.

Leaders able to accurately analyze the mountains of customer data that are now available through digital technologies will find valuable insights to help the organization stake out a distinctive market strategy, find the best customers, develop appropriate pricing models and understand the effectiveness of marketing initiatives. Used effectively, this information can help companies recognize and respond to competitive and market developments that could threaten the business model. This same data also can facilitate critical decisions about product enhancements, marketing promotions and assortment planning, and improve understanding of how customers interact with brands across channels. To ensure the organization leverages this wealth of information, leaders must be willing to go deep into the data and be familiar with the technology advances that can enable these initiatives.

Senior leaders will need to be passionate advocates for customers and help the organization overcome the strategic and operational challenges that can arise when instituting analytics initiatives. These can include the inability to integrate data, either because of technological silos or cultural resistance, and the need to build consensus on what data to collect and analyze. These leaders must help define the meaningful issues for the business and ensure that the organization has the infrastructure to organize, analyze and interpret valuable customer data in a timely manner to inform decision making.

CONCLUDING REMARKS

We heard repeatedly from the executives we interviewed about how challenging it is to find the talent their companies need as they expand their investments in digital. There are a number of reasons for this. First, the de-

mand for these executives is still significantly greater than the supply of proven talent. Additionally, the desired skill-set for these leaders tends to be quite broad — encompassing traditional management and leadership skills, digital and technical expertise, strategic vision, emotional intelligence and communication skills. On top of this, the right mix of skills required for any one position depends on many factors, which can include the scale of business, the digital strategy, the company's culture, the nature of the product or service, and the degree of technical knowledge within the business.

Successfully recruiting these valuable executives requires a concerted, focused and well-informed approach. Such an effort is greatly facilitated by broad knowledge of the sources of talent and the ability to skillfully assess candidates for the specific requirements of a position and cultural fit within the organization. The business returns from doing this artfully are great and the costs of not doing so are painful. How can companies improve their chances of successfully recruiting the digital talent they need? We offer several considerations below.

Carefully define the requirements of the role, based on the organizational strategy as well as the business' technical and cultural needs. Be certain that you have alignment from key executives on the position specification.

Prioritize. An expansive list of criteria can limit the size and quality of the candidate pool. Work closely with your internal recruiters or external search firm to understand the talent universe and prioritize the “must-have” versus the “nice-to-have” capabilities for the specific position.

Make a strong, appropriate investment in building an experienced and savvy internal digital recruiting capability.

The executives we spoke with tended to rely more on well-resourced executive search firms for senior-level needs, where the business cost of a mis-hire is more pronounced. Proven search firms were felt to be more broadly knowledgeable about the digital talent market, more creative in identifying solutions and experienced in assessing digital candidates, whether recruiting through internal or external resources. Be open to considering a broader set of talent in the digital space than you might be in a more traditional search. Exceptional digital talent can be found in pockets across industries, so consider migrating talent from related sectors or industries with similar business models.

Recognize that variables such as **reporting structure, organizational structure, culture, the degree of senior-level sponsorship and resource levels all affect a company's ability to attract talent.** The most talented and experienced executives expect that digital will be central to the business strategy and appropriately funded. Empower these leaders to make change.

Do not “under hire.” The cost of making the wrong hire is significant considering the current pace of technology advancement in

Online retail spending in Europe reached nearly £128 billion in 2009 and is projected to grow to £153 billion in 2010. Centre for Retail Research

digital and the corresponding opportunity costs and capital/program investment. Be creative with compensation when necessary to ensure that the organization hires an “impact player.”

Moore's Law states that the number of transistors placed inexpensively on an integrated circuit has doubled every two years. This has enabled the capabilities of digital electronic devices to improve at exponential rates. These enhanced capabilities have increased the usefulness of digital electronics in nearly every segment of the world economy, indelibly shaping customer behavior. Business, product channels, marketing, advertising, socializing and collaboration as we knew them 10 years ago are dramatically different today. How fast does change

happen? Consider this: Facebook, which was founded in February 2004, amassed 400 million regular users in less than six years. If Facebook were a country, it would be the third most populous in the world. Google, which launched in 1999, is today almost a \$24 billion company and has reinvented advertising.

In the final analysis, it appears that the only constant in the “digital” space seems to be the pace of change and innovation. Companies that do not anticipate and constructively respond to the impact of these changes risk becoming obsolete. In the face of these dynamics, the key question that organizations must answer is: “Are we prepared to operate in an increasingly technology-driven world?” From there, they must determine whether they are optimizing the opportunities to utilize technology across the organization for competitive advantage and, most importantly, whether they have the necessary executive talent, leadership and vision to take the organization where it needs to be for the future.

Interview Participants					
By Function		By Industry		By Region	
Marketing	36%	Consumer	28%	Asia Pacific	16%
Digital/E-Commerce	32%	Services	18%	Europe	34%
CEOs	14%	Retail	12%	North America	50%
Other GMs	14%	Financial Services	10%		
Other	4%	Telecom/Cable	10%		
		Media	8%		
		Travel	8%		
		Life Sciences	4%		
		Industrial	2%		
Participating Companies					
Air France-KLM		Fnac.com		Nike	
AT&T		Google		Nokia Corporation	
Birds Eye Foods		Grey Healthcare Worldwide		Ogilvy & Mather Worldwide	
British Airways		Hilton Worldwide		Premier Farnell	
British Broadcasting Corporation		H.J. Heinz Company		Publicis Group	
British Sky Broadcasting		IBM		Royal Philips Electronics	
Capital One Financial Corp.		Isobar		Sears Holdings Corporation	
The Coca-Cola Company		J. C. Penney Company		Shaadi.com	
Colgate-Palmolive Company		KPN		Sony Corporation	
comScore		Liberty Medical Supply		Sony Music Entertainment	
Condé Nast		Marriott International		Tesco	
Deutsche Telekom		McDonald’s Corporation		Unilever	
Digitas		Nationwide Mutual Insurance Co.		Visa	
Dow Jones & Company		The New York Times Company		Walgreen Company	
E-Plus Mobilfunk		Nielsen		wehkamp.nl	
E*Trade Financial Corporation				Zurich Financial Services	

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ABOUT SPENCER STUART

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 51 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments. For more information on Spencer Stuart, please visit www.spencerstuart.com.

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