destination digital

Finding and Building the Talent to Get There

EgonZehnder

In a world where consumers tweet complaints in public forums, shop online as much as on high streets and express brand preferences on Facebook, excellence in digital is critical for business success. Organizations that fail to embrace digital innovation in their core business will fall behind fast. Yet while many companies recognize the importance of investing in digital, most struggle to incorporate the right digital talent into their enterprises and determine the best structure for the digitally-savvy organization. Although outstanding digital talent is scarce, there are a few key steps that companies can take to unlock success in hiring, integrating, nurturing and developing such talent – and in strengthening senior management's role in leading the drive to digital.

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The digital transformation is unstoppable. In just a few years, we have witnessed the progression from rudimentary online advertising – such as pop-ups and banner ads – to multi-platform campaigns, alongside the exponential growth of social networking. We are now in an age of everywhere communication and commerce, where purchasing is as easy on a mobile phone as it is in-store. In this environment, traditional companies must grasp the challenge of making their organizations truly digital-savvy – and of competing with young businesses, born of the digital age, that have grown up with online and e-commerce at the heart of their operations. Established companies need to take bold steps to evolve their strategies, excel in a multi-channel environment, and deliver compelling digital experiences.

Some companies have been pioneers in driving digital strategy and attracting and developing digital talent – while others are playing catch-up. Our own work with leading organizations around world makes it clear that companies are at different stages of digital maturation, requiring different talent and organizational structures. Although there is no universal solution, there are some critical questions that all companies need to answer if they are to secure the talent to power their digital agendas – no easy task, given that demand for such talent outstrips supply. Do they currently have the right talent – and if not, how are they going to get it? How will they orient themselves – structurally, culturally, and mentally – to ensure they appeal to the finest candidates? And how will they groom the right people internally?

Egon Zehnder has had the opportunity to be the leading advisor on digital talent for many major companies across industries and regions. Bringing together the insights gained through this work, this article distils a set of successful strategies and practices for integrating digital expertise into traditional businesses – both empowering senior management as critical digital change leaders, and hiring, integrating, nurturing and developing the right digital talent across the business.

Among US retailers progressing with multi-channel, digital leaders are incentivized for both online and in-store sales. A leading retailer has effectively banned the use of the word 'multi-channel' to ensure a focus on the customer, regardless of which channel they choose to shop through.

Empowering Senior Mangement as Critical Digital Change Leaders

Why the CEO should be the primary champion of digital - It is tempting to believe that hiring a top-flight Chief Digital Officer (CDO) is the answer for digital success. But while this step is often necessary, it is not sufficient. Instead, leadership of the digital agenda needs to reside at the very top of the organization: the CEO should be the ultimate digital champion, focusing the board's attention on appropriate investments. Indeed, when aiming for "destination digital", companies need to be careful to avoid confining digital to a silo; rather, the CEO needs to spell out a vision of digital being an integral part of all the company's operations.

Based on such a vision, the right digital talent can be hired and the company prepared for the organizational and cultural change required. For many firms, embracing digital can be highly disruptive, involving shifts in structure, incentives, and the prioritization of resources (see box). CEOs need to make clear decisions on the overall architecture of the digital structure, and then adapt it over time as necessary.

The CEO's commitment is also essential in attracting top digital talent. More entrepreneurial talent, and those from pure-play digital companies, are often hesitant about joining a large, more traditional company undergoing a digital transformation; such talent needs to be assured of executive commitment to the digital agenda, backed up by adequate resources.

The opportunity to act as a genuine change-maker might be a compelling argument for digital talent to switch from a fast-moving environment to a more traditional one. But CEOs need to be able to demonstrate that their businesses have the right conditions for such individuals to succeed – including a clear role, the right budget, a career path to grow and develop, and the right cross-organization structure and support to make all this possible. Natascha Jacobovits de Szeged, consultant at Egon Zehnder, Amsterdam, emphasizes that:

> "For digital-savvy people coming into these roles it's often about going from being an entrepreneur to an intrepreneur, where they help create a culture to empower the digital function in a traditional organization."

A global food retailer demonstrated its commitment to digital through the CEO's deep involvement. Before interviewing candidates, the CEO learned for himself what kind of competencies to expect and what the digital talent pool looked like. Once the hiring process began, he took part in the first round interviews. The top candidates were totally won over by the CEO and his visible commitment to the company's digital agenda.

The critical triangle of CEO, CIO and CDO - The relationship between the CEO, Chief Information Officer (CIO), and CDO is critical. How this trio of senior leaders works together toward the common goals of digital excellence can make or break the organization. Each has to support the other, so that the required culture is ingrained and the right technology is put in place to make an ambitious digital vision possible. While the CEO needs to be committed to the digital transformation and make digital a priority, the CDO needs to fill in the digital strategy and create a vision to develop the right operating skills to get there.

At the same time, the CIO must have the skills and be empowered to develop and adapt the IT infrastructure to support the digital strategy. In more traditional businesses this may require significant changes in mindset and a new level of flexibility. Great ideas, rapid delivery, and seamless operations across channels – all fundamental requirements of the digital age – require a viable and robust IT infrastructure to make them happen. The dialogue between the CDO and CIO is therefore just as critical as the vision of the CEO. As Natascha Jacobovits de Szeged says:

> "Since IT infrastructure is at the heart of a digital operation, companies also need to realize that technology and the business will become fully interdependent. As such, the role of the CIO becomes closely linked with that of the CEO and CDO in delivering the digital transformation. The IT and information (data) infrastructures of traditional companies need to be upgraded and become more modular and flexible to become a major channel for dealing with customers."

Digital requires sponsorship at board level - The direction of the company is set at board level. Just as leaders of legal, finance, and other key functions have long had a seat at the top table, a place should now be extended to leaders from the digital arena. These digitally knowledgeable board members may differ from their colleagues: they are often considerably younger and may lack prior CEO or board experience.

In our experience, a board member with a digital spike makes it much easier for a CDO or other digital talent in the organization to realize the digital agenda, as they have a champion on the board who understands the space and can help educate fellow members. Lindsay Trout, consultant at Egon Zehnder, Palo Alto, sees this as an imperative: "In order for digital to become a strategic cornerstone for the company it also requires sponsorship at board level."

Additionally, giving a seat at the board to someone with digital expertise can serve as a "talent magnet" drawing in others who recognize that their experience will be valued and delivered upon. This "snowball effect" ensures that some companies build powerful reputations for nurturing digital talent.

Hiring, Integrating, Nuturing, and Developing the Right Digital Talent

Competencies of digital talent: digital AND change management needed - What should companies look for when searching for top digital talent? What competencies and characteristics define successful digital leaders? Our own recent experience underlines several clear trends. For one thing, demand for digital talent is increasing at a significant pace. Second, this demand is at an increasing level of seniority. And third, there is an emerging path to the CEO suite for digital talent. Indeed, digital roles are no longer ancillary but increasingly sit at the very heart of the business.

Finding the ideal candidate for any role is a challenge. And when searching for and selecting people who can lead a digital agenda, the task is particularly complex – not least because talent with this level of expertise is scarce. So whatever

the title given to his or her role, a digital leader requires not just technical and digital know-how, but also experience of change leadership and cross-organization collaboration and influencing. For people taking on such roles within larger companies, it is also critical that they understand the decision-making process and how it functions across departments.

From our experience, the following core competencies are important when looking for digital experts:

- **Domain expertise.** The experience and knowledge of the constantly evolving digital landscape, including e-commerce, online advertising, and content distribution.

- **Results/product orientation.** The ability to demonstrate a "get things done" mentality and focus on results. This means a bias toward action and the ability to manage resources and move projects forward.

- **Collaboration and influence.** The ability to instill a significant change mandate agenda and apply it across an organization. This includes the skillset to engage internal and external stakeholders as well as balance short- and long-term objectives; and the ability to recognize and channel new ideas while negotiating and building partnerships.

- **Data expertise.** An analytical mind and the ability to crunch market data to glean the necessary insight for real-time and longer-term decision-making. This is underpinned by an appreciation of the value of data created by digital platforms, with a thirst for the associated insights.

- **Adaptability.** Flexible by nature and responsive to market feedback and shifts. These qualities come from experience working within companies that have been through similar transformations, and an understanding of the need for cultural shifts in more traditional companies seeking greater digital focus.

The digital talent pool is diverse and candidates may not excel in every one of these competencies. While some may have strategic vision, others will be experts in hands-on digital solutions. So the competencies outlined here serve only as guidelines for CEOs looking to hire a digital leader, and CEOs should expect to see candidates who may not be highly developed across all of them. Depending on the company's own envisaged digital destination, it may prioritize some of these competencies above others.

With any talent choice comes trade-offs. Traditional companies investing further in digital often face the challenge of "importing" pure-play digital talent into their organization. These individuals will certainly boost digital knowledge within the organization in the immediate term but may not have experience of working in a larger corporate context. They may be unfamiliar with the company's heritage and core business priorities – and could be frustrated with a pace of change that is likely to be slower than in an internet-only organization. Established companies therefore need to be careful to select digital talent that is able to succeed in driving an evolution rather than a revolution. Sometimes the winning combination of competencies can be found in candidates who have gained experience in both worlds – entrepreneurial, digital companies as well as in functions such as marketing in more traditional companies. As Lindsay Trout says:

> "Companies are looking for candidates that bring a blend of the start-up arena – where they've moved fast and driven innovation – and also experience of working in larger companies. Then they can apply influence across the business and instill speed in bringing things to market. When a person has only been in a very agile environment and goes into a larger construct, they get impatient – which presents risk in effectively bringing along others. So a blend of experience is golden. What will appeal to the start-up guy going corporate: scale and opportunity for impact."

External recruitment, internal development or acquisition

The need to acquire digital expertise rapidly takes companies down a number of paths. In addition to hiring very senior digital expertise, some companies are trying to leapfrog by acquiring digital start-ups – socalled "acqui-hires" – to gain such talent more quickly. But integrating that acquired knowledge is not always easy. Should all that expertise be brought in-house, or should the digital business rather continue to run as a satellite operation? Can the acquired digital know-how be absorbed into the whole operation? And, regardless of organizational structure, how do more traditional companies motivate and retain the top digital talent acquired?

From a management perspective the integration of people can be fraught with difficulty. Founders and senior management of start-ups bought by bigger companies are often subject to lock-in clauses; while this ensures talent remains with the company, it can lead to disgruntled personnel forced to stay as the structure and culture of their business changes around them. Setting up a wholly-owned satellite business is another route for traditional companies not wanting to "buy in" expertise with the associated price premium. This route can provide the flexibility and innovative thinking needed to start a digital operation. . In some cases the satellite operation ultimately becomes subsumed into the core business once it has proved its worth.

Last but not least, there is the option of developing and cultivating digital talent from within. When promoting talent from within, organizations need to distinguish between individuals who understand digital and are able to lead it, and those who may understand it, but need training to become digital ambassadors. Relevant criteria must be used for assessing the talent that already exists within. For example, has an individual already cultivated an internal network of relationships across departments? Does he or she already have experience of managing cross-organizational strategies, and understand what this entails in terms of opportunities as well as risks?

Choosing internal talent for the digital transformation comes with trade-offs of its own: these talents may not have the creative insight or external perspective that an outside hire can bring. There is also the risk that their existing internal relationships may be too entrenched and they might be unable to push change at the pace required in a digital context. Karim Jalbout, consultant at Egon Zehnder, London, remarks that:

> "If developing from within, it is quite likely the person won't have the domain expertise. The key is to identify if they have the potential to do it and how they can be supported to be successful in the role. The advantage of building internal talent is that they have the knowledge of how things work within the organization. There's often a huge skill set missing internally (analytics/ecommerce/data analysis) so the immediate internal action is to look externally to add the appropriate domain expertise. But you can still uncover one or two big stars. We believe in assessing internal potential as much as looking externally."

Integrating digital talent into the company

Regardless of the path chosen to accelerate digital capability within a company, integrating and nurturing digital talent can be a challenge – especially in more traditional companies where hiring a CDO could be considered a high-risk appointment. Careful integration of this person into the organization is vital for success. Common traits amongst digital talent are that they have a strong bias for action, and are typically hyper-analytical individuals who may become demotivated by bureaucratic environments. Organizations therefore need to be prepared to help them acclimatize and realize the near-term impact of their efforts. They might be assigned a senior internal mentor or champion (usually the CEO) who is equally action-

oriented and analytical. Or they might be supported by a like-minded team, with the resources to achieve a properly integrated digital agenda that pervades the company culture. As Henry Topping, consultant at Egon Zehnder, New York, points out:

> "A carefully designed accelerated integration process creates a fast-track for bringing together an executive's competencies and personality with the new company's culture and way of doing things. It identifies possible obstacles early and thereby minimizes the candidate's – or organization's – risk of failure. Accelerated integration is about setting up the new digital talent for success by getting him or her culturally aligned fast while allowing for real impact in a short time."

Conclusion - There is no half-way house to digital excellence. It requires leadership from the top, an understanding of the critical role of digital in future business growth, and the willingness to take risks and make bold decisions. Digital talent is scarce – but there are also many outstanding people looking for opportunities for growth and impact. Talent is drawn to those organizations willing to invest and commit to the changes in culture and infrastructure required to make digital agendas succeed and help digital talent thrive. Traditional businesses can learn from the trailblazers who've been pioneers in this territory while forging their own paths toward their digital destinations.

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