



CRITICLEYE

Learning to Love Disruption

Traditional business models are changing fast. Criticleye's CEO Retreat, held in association with Accenture and supported by Warren Partners, examined how senior executive teams can fashion the right response

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It's not easy for a CEO to gain a line of sight on where the next wave of significant change will occur. Tried and tested models for going to market can be knocked-out by a sudden switch in customer behaviour, new technology or competitors rising up from other sectors to usurp market share.

[Criticaleye's third CEO Retreat](#), held in association with Accenture and supported by executive search firm Warren Partners, examined how the leaders of global organisations are seeking to develop a winning response to such a volatile environment.

"Arrogance is a luxury of the past – you need an eye to the future and a governance model that can adapt," said **Neil Berkett**, Non-executive Chairman of Guardian Media Group (GMG). "Organisations need to be balanced, you can't have a board or executive team made up of people who are all exactly the same."

The transformative impact of new digital capabilities, from interactive marketing, data and analytics, to mobility and the cloud, continue to be regarded as a challenge for senior executives and non-executive directors. "Boards need to think digitally," added **Neil**. "It's not about crossing that executive line, it's about being informed. [Every director] needs to be digitally literate today, you can't just bring in one digital person – that won't work."

Oliver Benzecry, Managing Director of UK & Ireland at Accenture, commented: "On the outside, digital is changing business models and the way companies interact with customers and supply chains. On the inside, it's affecting employees, mind-sets and

culture. We are moving into a world where companies are digital enterprises, where it permeates end-to-end."

As a result, organisations have to be quicker in how they approach innovation and seek to go to market. "Strategy is changing," he continued. "It's not about debating for ages and setting a direction for the next five years, it's about prototyping at pace."

FIT FOR PURPOSE

The priority for executive teams is to articulate how customer expectations are changing and what a business must do to meet them. Once that has happened, the hard part will be to identify the blockers within the organisation.

Tony Cocker, Chief Executive of energy company E.ON UK, said: "It's vital that everyone in the organisation understands where you are going. Most of the middle management are not digital natives and some may have been doing things in an analogue way for 20 years.

"You need to make sure change doesn't get stuck in middle management and help them to understand what's happening."

It was suggested that a Chief Digital Officer (CDO) could make a difference. "Digital drivers have been set from the top down," said **Steven Cooper**, CEO of Personal Banking at Barclays.

"In terms of structures, the challenge we had was to change some of the management processes and there were hard choices to be made. We brought in some real digital natives who, frankly, disrupted the organisation internally – we had given them the space to do that."

Steven explained how a Head of Digital was hired, which meant the 'nuts and bolts people' who were focused on processes, had someone come in and examine a customer's digital journey: ▶

TWEETS FROM #CEORETREAT 2015

In a digital environment you have to learn how to do things differently; jobs will change

You need to embed digital right through your organisation and a Chief Digital Officer can help do that

Governance models need to change and boards need to think digitally

Strategy is changing. It's not about pondering and setting a direction for the next five years – it's about change at pace

There are digital buzzwords and big valuations of tech start-ups; executives are unsure of how to respond

Disrupters are not coming from your industry. On top of that, users are comparing your technology to their best experiences

Look at your business and the most profitable segment. Now think about how you can disrupt it

The most fundamental aspect of digital is the idea of zero-margin cost, which entails a reversal of thinking

“That was not a pleasant ride in the short term and we lost some people as there were individuals who thought: ‘I can’t relate to this.’ But it was what the organisation needed to do.”

By contrast, **Lynne Embleton**, Director of Strategy and Managing Director of Gatwick for British Airways, was “a little sceptical” about such a role. She said: “The most important thing is that all the leaders and management get digital, and don’t assume it’s someone else’s job.”

CURIOUS MINDS

A recurring theme was the need for joined-up thinking in the higher echelons of an organisation. **Bal Samra**, Managing Director of BBC Television and BBC Commercial Director, said: “Sometimes you find the challenge is at the top of the business units... while people working on ‘real things’ across units actually embrace change.”

It’s the responsibility of senior executives to find a way to build consensus. “In large organisations, an effective leader will be someone who can glue and curate conversations – often you are trying to bind different elements together to make stuff happen,” **Bal** added.

Charlie Wagstaff, Managing Director of Executive Membership at Criticaleye, observed that it’s up to senior executives – if they’re going to be able to inspire in times of extreme uncertainty – to move out of their comfort zones, expanding both their knowledge and experience.

“Business models are changing constantly; leaders must have courage when it comes to learning about how to deal with that,” he said.

“Sometimes you find the challenge is at the top of the business”

This, in turn, is another reason why non-executive directors need to make sure they are informed.

Joëlle Warren, Executive Chairman of Warren Partners, said: “Do boards really understand the risks inherent in digital plans being articulated by executives? You need to be financially literate as a NED, but increasingly we’re seeing the need for digital literacy too.”

The balance of skills and insights has to be right and organisations ought to be able to assess candidly whether those at the highest levels are capable of providing what’s required.

“The culture of many boardrooms is perhaps too hierarchical and too staid for some of the individuals who currently possess digital expertise and insight,” continued **Joëlle**.

Executive and non-executive directors who feel that none of this applies to them are playing a dangerous game.

Matthew Smith, Global Head of Market Development for the Internet of Things at Cisco Systems, warned: “Forty per cent of Fortune 500 companies won’t be in existence in 10 years’ time. The main reasons will be missing market transitions; doing

the right thing for too long; failing to reinvent themselves or losing sight of what their customers need.”

As **Neil** of GMG put it: “Digital is compressing time and space and making us more global; it’s making everything happen faster.” ■

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Featuring Commentary From:



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