

Bridges to the future

On the many parallels between the expectations of young talents and the changing business environment.



MAGNUS GRAF LAMBSDORFF

Egon Zehnder International, Hamburg
magnus.lambsdorff@ezi.net

DOM LOEHNIS

Egon Zehnder International, London
dom.loehnis@ezi.net

Companies are feeling the impact of convergence in more ways than one: in their external relations with customers, suppliers and competitors, and in their internal relations with their own employees. In each case the effects are similar: both the business environment and a new generation of employees are posing enormous challenges for management with raised expectations in terms of openness, flexibility and ongoing dialog. And yet with the aid of good talent management, this convergence between companies' internal and external environments can also prove a godsend.

A BRISK NOD is all it takes and 44 chamber musicians launch into Beethoven's 8th, with neither conductor nor baton in sight. Instead, one of the violinists triggered the performance with a simple nod of her head. This is "Spira Mirabilis" – the "marvelous spiral" – a chamber orchestra of a very special kind. Its name is derived from the logarithmic or equiangular spiral, which has the remarkable geometric property that as its size increases, its shape remains unaltered. This so-called "self-similarity" is also the principle on which the orchestra operates. The young musicians, all of whom hold permanent positions with Europe's leading orchestras, converge upon Spira Mirabilis in various constellations to rehearse and perform a particular piece of music. Here, each of them is producer and performer at the same time, because they are not expected to simply accept preconceived ideas about the piece. And while the time and effort they invest in dialog is somewhat greater, the outcome is often more original, vibrant, and surprising than an interpretation produced by a lone individual working within conventional structures.

The approach that Spira Mirabilis adopt in the world of music is increasingly shaping the world of work at many companies. Young talents, above all digital natives who grew up with computers, the Internet, and the all-pervading digitization of everyday life, are seeking, and indeed expecting to find, an interesting array of tasks in their professional environment. They have no fear of tough challenges (and not only technical ones)



THE FUTURE IS NOW HOW THE DIGITAL REVOLUTION IS CHANGING EVERYTHING

BY JEFF JARVIS

We're fooling ourselves if we think that what we're now going through is a mere financial crisis or readjustment. Rather, we are undergoing a fundamental transformation in how our economy and society operate – a transformation that could be as profound as the industrial and Gutenberg revolutions. It will affect how markets operate; replace some industries with new ecosystems; kill large incumbents in favor of efficient disruptors; and rewrite the skills that managers, entrepreneurs, and investors need to survive.

Briefly, here's a catalogue of what to expect and what's already happening:

Innovation now leads to efficiency more than growth. We used to measure success based on growth and the top line. Success today is better measured by the ability to find efficiency in shared platforms, openness, focus, collaboration, and concentrating instead on the bottom line. Disruptors operating at very low cost and risk can enter a market with minimal barriers. Are incumbents prepared? Can they resize to operate at smaller scales?

We are entering an economy built on abundance rather than scarcity. This is something that Google understands well, which is why it created an open marketplace where ad charges are based on performance. Risk is shared with marketers, and their interests are thus aligned. That is how Google reached incredible scale – by building platforms that enable others to succeed. For networks to grow to critical mass, they must extract as little as possible to grow as big as possible. Is any other industry built this way?

The future is not about control, but ecosystems and co-operation. In today's world, a business's customers distribute them, and their competitors contribute to the same open-source platforms. They look for efficiencies through specialization and complementary offerings: "Do what you do best and link to the rest." Do companies today understand how to win when the game isn't zero-sum?

The net pushes us to live and do business in public. Secrecy used to be companies' special sauce. Today, the tools of openness are the foundation of how we create

new relationships, collaborate with customers and suppliers, and gain trust. Customers can and will talk about us in public using their own Gutenberg presses. We must be open and honest with them – responding immediately to problems, listening to their ideas, and giving them respect. Is that our business culture?

And in an Internet society built on “public-ness”, we must also examine whether all the traditional economic powerhouses are ready; is Germany in particular prepared for such exposure? Its reaction to Google Street View is idiosyncratic in the world. One wonders why Americans look at new technology and see opportunities, while Germans see danger. American entrepreneurs practically relish failure as lessons learned; German executives tell me they have no license to fail. Google also teaches us the value of releasing products as betas, unfinished and imperfect, to learn from users how to improve them. Without accepting the risk of failure, let alone in public, how can there be innovation? And will government be too quick to regulate new technology even before it is used?

In transparent markets, it will be difficult to profit through opacity of pricing. The money that went into marketing will now need to go to improving quality and service, lowering prices, and building direct relationships. These relationships must be built at every level and every point of contact with the public. Do executives and employees have these social skills, and the freedom to use them?

Other trends are also emerging. When we are connected ubiquitously and constantly through no end of devices, what becomes of our views on media, locality, customization, privacy, and public-ness? Not only will our own companies and markets change, but society around us will change as we become more globally connected, overstepping every known border. The fundamental question, then, is whether we are prepared for this profound change, whether we will embrace or fear it, and whether we are ready to exploit it instead of avoiding it.

Jeff Jarvis, a well-known commentator on digital media and the Internet, is head of the Tow-Knight Center for Entrepreneurial Journalism at the City University of New York's Graduate School of Journalism, and author of the book “What Would Google Do?”

and are keen to share their ideas, thoughts and opinions with others in an ongoing exchange like the ones they are accustomed to enjoying in online social networks.

Blurred boundaries

As this Networked Generation is finding its feet in the professional sphere and beginning to build a career, fundamental changes are, of course, also taking place in the business environment of many companies and industries. The keyword here is convergence. Nations and cultures are converging as globalization gathers pace; boundaries are becoming blurred or disappearing entirely; formerly distinct industries, such as consumer electronics and telecommunications, are merging. And focal points of industrial operations are shifting all along the value chain.

But that is not all, because there is another decisive change that companies need to be aware of in their business environment: customers no longer want products; they want solutions, or platforms that enable them to create or co-create their own solutions. Only a short while ago, in the perception of their customers, many companies were simply black boxes. All that customers ever got to see were products and services neatly packaged, ready for market. The internal procedures, ideas and developments that had gone into them were neither visible nor comprehensible. Today, though, increasingly critical consumers are no longer willing to be mere recipients of goods. They want to be taken seriously as players in the marketplace. In the Internet they have a powerful tool at their disposal through which their praise or criticism can reach a global audience. Crowdsourcing is one of the approaches that organizations have adopted in response to this more astute clientele. Manufacturers are asking their target groups to come up with ideas about product design.

All of these innovations also impact on the organizations themselves, in terms of their culture, their procedures and how they approach projects. While no company can get by without a CEO, the profile of the top job and the tasks it entails will change as hierarchies become blurred. The CEO will have less control over the entire organization if, depending on the nature of the task, power centers are created at various levels and virtual teams with members drawn from different functions and departments work together to find solutions. The CEO will need the inner strength and the confidence to entrust these intelligent, creative, and unconventional employees with greater latitude. At the same time, however, he or she must also introduce clear processes, defining the

criteria in line with which the best and most promising options and approaches are selected from among the many possibilities or when a project is to be concluded. Above all, though, top managers will in future lead by convincing their people, not by barking out orders. For many young talents, sustainability and social relevance are important issues when choosing an employer. To attract and retain these bright minds, leaders need to embody an authentic role model.

Farewell to traditional silos

Convergence demands far closer cooperation between all those involved in the creation of new products and services, from the initial idea all the way to the marketing concept. All of the employees working on a project or product must bundle their skills and knowledge at an early stage and be ready to swap roles as well, as the need arises. Also, in line with the principle of agile product development, organizations with global operations will need to find ways of tying in the expertise of all their employees in all of the countries in which they operate, in pursuit of the best possible results.

Companies need to ensure that, at divisional level in particular, they have leaders in place who command a broad array of competencies. In an organization that is only loosely structured, these managers must be able to draw on outstanding team-building and leadership skills, and deal calmly and competently with rapid changes in technology and customer needs.

“Bridge builders” too are sure to be in great demand – managers who can compile cross-functional teams and mediate between the various viewpoints if there are differences of opinion or diverging ways of looking at a problem. We see an increasing number of roles which demand this bridge-building skills, translating between different functional languages – be it CTO roles translating from technological possibility to strategic direction (and vice-versa) or product management roles translating between marketing needs and engineering possibilities. In addition, at higher levels of management in particular, there is a need for leaders with the ability to manage speed, complexity and ambiguity. In line with the principles of the matrix organization, these individuals must be able to collate and coordinate the required resources and knowledge from a range of areas and roles, as well as from across national borders. For companies which, to date, have assigned their employees to strictly functional silos, this process of adaptation is going to be tough. Silo-

like structures with their cumbersome hierarchical procedures will no longer be able to keep pace or even respond adequately to rapid and often abrupt changes in the business environment. They will give way to flat organizations where multi-disciplinary teams take care of their own distinct key-account-customer segments, and where lateral thinking and execution are critical assets. At the same time, companies will be forced to step up their acceptance of failure, because experimentation will be key to competitive differentiation. Software companies in particular have transformed this supposed weakness into a strength, and involve their customers in new developments from a very early stage.

Convergence demands an openness to new ideas and a boundary-free corporate culture. The CEO who is looking to attract and retain the best talents will have to offer them promising and future-oriented areas in which to work, where creativity, flexibility and collaboration are not only welcomed but deliberately fostered. In addition, a high level of risk acceptance among employees must be reflected in a wise attitude on the part of the organization toward tolerating mistakes and failure. In this context, initiating an appropriate talent management program – one that encourages and rewards the factors mentioned above – is one of the CEO’s most important tasks. If he or she succeeds, then the convergence between the internal and external corporate environments could prove a real godsend.

THE AUTHORS

MAGNUS GRAF LAMBSDORFF has been a consultant at Egon Zehnder International since 1995. For several years he was head of the firm’s global Leadership Strategy Services Practice. Today he advises clients on how to enter the digital space. He also helps boards and investors of internet based companies to compose and develop their executive teams.

DOM LOEHNIS has been a consultant at Egon Zehnder International since 2007. His activities are focused on traditional companies looking to build digital strategies capabilities and on digital businesses looking to build the processes and structures needed to cope with explosive growth.