

Leadership in the Digital World

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For media, telecommunications and technology companies pursuing growth in the digital space, strategic organizational issues are of paramount importance.

The landscape is evolving rapidly and many companies are grappling with profound organizational questions – or they should be. We are finding that there is no single formula for successful growth in this marketplace; nor is there a single organizational approach that best supports the incubation and execution of ideas.

This white paper has been developed in response to an inquiry about noteworthy strategies on the cutting edge of the Digital Universe. By sharing the observations of CTPartners' Technology, Media and Telecommunications Practice, we hope to lend insight into how to most effectively navigate this evolving and competitive space.

There are many organizational issues to be considered by digital businesses. Which approach will most effectively break down barriers between key people, no matter how large the corporation? Which will best achieve that optimal balance of collaboration and competition, within a business that is utterly focused on execution and bottom-line goals?

Perhaps most importantly, which organizational design will take the business to the end result that virtually every digital competitor is aiming for: An organization that knows how to think the unthinkable and brainstorm outside-the-box about growth opportunities and profitable strategies within extreme market scenarios.

Ironically enough, despite the importance of organizational design for converging media companies, it has been sidelined as a skill and an art in recent years, in part because of the velocity of change and development. In the digital space, we find many companies that just don't talk about organizational design, or redesign, because they are moving so rapidly that they fail to appreciate its value.

Since this is a world in which money and media attention can mask significant underlying problems, it may come as no surprise that many of the hottest businesses seem to possess vulnerabilities when it comes to their leadership and top talent. Complaints are widespread about dysfunctional organizations, demoralization and structural obstacles that stymie innovation and execution rather than encouraging them.

This disconnect creates key prospects for those corporations that pursue digital opportunities with a more thoughtful and systematic approach to organizational design. For a company to dominate the digital marketplace over time, we believe that successful innovation must start with this.

Organizational Issues

Will an integrated, nonintegrated or some type of hybrid structure approach best bring the corporation from where it is now to where it wants to be on the digital horizon? Which structure will keep the digital business most relevant and competitive?

There is no one-size-fits-all formula for success. Indeed, one of the most exciting developments in the digital space is the increasing willingness of proactive competitors to experiment with intrapreneurial organizational approaches, designed to foster entrepreneurial thinking and execution, even within the largest corporations. To the most forward-thinking businesses, there is no limit to what's possible in this arena, including trying out multiple organizational approaches simultaneously, both inside and outside their traditional corporate structure.

Different organizational approaches create different needs for leadership and top talent. For example, one large player in this marketplace is considering restructuring itself along the lines of a private equity firm. That might mean structuring its various business lines across the globe in ways not unlike portfolio companies. This will require a significantly different leadership mindset – and different leadership skills – from those that have served the corporation until now.

Within this company, the thought is that this model might encourage an intense orientation toward strategy and execution, better utilization of capital and the pursuit of highly profitable, accelerated growth. In such a system, the corporation's senior executives might effectively serve on the "board of directors" of one or more of the "portfolio companies". In order to keep key players at each of these businesses motivated and performing, some variation on a private-equity compensation model might also be adopted, perhaps through equity or a phantom stock arrangement.

Even though this strategy may not ultimately come to fruition at this particular company, it is reflective of the type of outside-the-box thinking about organizational design that may increasingly come to define this marketplace. Another example we are seeing is that a number of successful companies are embarking upon major reorganizations that will open up significant aspects of their intellectual property to third parties for their development and deployment.

In cases like these, the object is to perpetuate the companies' growth and profitability through their reorganization as "incubators" of new technologies and businesses outside as well as inside the company. One might view the end result of these reorganizations as an effort to position these companies in the center of an "ecosystem" of convergence.

Strategies like these are often being propelled by a new, younger generation of top executives and directors that have cut their teeth on morphing business models that aim to change as quickly as the

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digital marketplace does. They know that one cannot run a digital company the same way that, say, Jack Welch ran General Electric. Although they don't always apply that mindset to the discipline of organizational design, when they do, the results can be truly innovative.

Within this landscape, some companies are keeping their digital businesses fully integrated within the larger organization. These companies might choose to seed existing operations in media, telecommunications or technology with seasoned professionals whose mandate it will be to identify and develop digital opportunities from different divisions or product lines.

Integrated structural designs can work well, but there are risks that we have noted in such scenarios, which may include the failure to bring in sufficient numbers of top digital professionals to establish a critical mass. This is essential to provide people with the intellectual sounding boards, teamwork support and other resources that they will need in order to execute their goals. It is also important to convey to leaders, and to the marketplace, that the company is not just sticking its toe into digital and retaining the ability to quickly retreat at the first signs of difficulty, but rather fully pursuing the digital marketplace through an integrated business model.

Without critical mass, it is not uncommon for digital leaders to fail to achieve goals or to be demoralized by feelings of professional isolation or loneliness even when they make business progress. Even the most talented of individuals confide their sense of being overwhelmed in such scenarios by having the role of single-handed savior, responsible for propelling (or dragging) their companies into the digital age. They sometimes complain that their employers don't really understand what it is that they do and, as we have seen repeatedly, these key players soon seek more intellectually and emotionally rewarding opportunities elsewhere.

On the other hand, however, there are also risks that corporations face when they decide to pursue a nonintegrated approach to digital development. These organizational models might foster competition between units, but fail to facilitate the type of collaboration that is necessary to fully identify and develop digital opportunities. Well-designed compensation models should reinforce both priorities. But unless the proper balance is struck, top talent may migrate to the new opportunities that continuously present themselves in this space.

With nonintegrated organizational models, the potential downside may also involve key players who are working in traditional business lines. Given the excitement and high-growth potential associated with digital expansion, it's important to make certain that these executives don't feel "stuck" in stodgier businesses with less upside potential for the company – and for their career momentum. Here again, a failure to respond may result in the loss of top talent.

Leadership Issues

Digital businesses must have the right people on their leadership teams if they are to continuously innovate, execute and evolve at the velocity this marketplace demands. Effective leaders must be capable of “morphing” business models across an environment of constant change. We have identified a number of important skills and attributes that enable them to do this, which include:

- The capability to move very quickly and effectively, in much the same way that successful corporations are capable of speedily outmaneuvering other organizations;
- Agility and flexibility in every sense, including intellectual capabilities, approaches to problem solving and work styles;
- An exceptional ability to multitask and to successfully operate multiple business models, which might run the gamut from old school well-established models to new models still in developmental stages;
- An absolute obsession with the customer (“audience”). A full understanding of the importance and interest value of the product in the mind of the consumer, and an orientation to giving users what they want.

While somewhat more difficult to characterize, we also believe that the most valuable professionals working within the digital space understand the 80/20 rule. They recognize that the goal in a rapidly evolving market is to get products and services out there quickly. Achieving “perfection” isn’t worth the time and resources necessary to get to that point especially since, in the meantime, a competitor or new entrant will likely jump in and capture the space. After all, digital users are very vocal, which means that they effectively help companies refine new applications or services once they get out into the market. This leadership quality is hard to find, yet we believe that digital leaders who lack it will struggle to deliver results, no matter how innovative or challenging their organizational structures might be.

Strong digital leaders also possess other essential skills. First and foremost is the ability to execute. Leaders and top talent must be able to execute very quickly, even under conditions that often involve intense pressure and insufficient information. There are plenty of talented people around who simply cannot meet this criteria and it is a mistake for digital companies to rely upon them.

Some of the companies that have been most successful in the converging media and digital space will push this issue one step further. However they may characterize it, they are looking for talent that

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has the ability to execute quickly within project-oriented cultures where projects, teams, timetables and objectives will vary as needs arise.

This is a highly matrixed model. Digital leaders must be nimble by temperament and able to flex across all types of projects. Valuable skills include the ability to respond to a project's objectives, to pull together or participate in teams that may never appear anywhere on an organization chart and, regardless of the complexities of the situation, to execute. Additionally, with the next project, these leaders aim to execute just as quickly and effectively with whatever teams and methods make sense that time around.

In any industry in which there is a leadership supply-and-demand imbalance, it's tempting to hire smart, motivated people and assume that they can be trained to compensate for whatever desired skills they are lacking. However, we would argue that some of the factors we have discussed cannot be taught – they go to the heart of a person's innate characteristics. There are some people who can learn how to learn faster and how to move more quickly, but they will never be able to adjust to the logic of the 80/20 rule. Others can do so easily.

In conclusion, there must be strong alignment of a digital company's leadership team, its business goals and its organizational structure. At some of the largest and most successful companies in this arena, we hear growing complaints from digital executives about a loss of the business's entrepreneurial spirit. This is a thorny issue, since these companies have matured and now need to focus more on their processes and systems.

In the digital space, there is a risk to being perceived as excessively bureaucratic, or as stifling the freedom that these leaders thrive upon which yet again, is a major cause of top-talent flight as people move on to smaller, cutting-edge, action-oriented businesses. Silicon Valley has always been known for this dynamic and it is one that any digital competitor must consider.

The most valuable leaders within this landscape tend to have strong attitudes about work and what makes it worthwhile to get up in the morning. They have many options and it is clear that they respond best to innovative organizational structures. That is another reason why it makes sense for companies to think long and hard about organizational design as they develop and pursue digital growth models.