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Welcome to the fifth edition of The OE.

The digital age is driving a whole new way of doing business. Those businesses that were “born digital” move at a different speed to “digital immigrants”. They behave differently towards customers and the digital business model allows them to be more innovative and responsive.

This edition of The OE explores four challenges for traditional “physical” businesses to thrive in this new era:

1. Changes to the business model – identifying where and how a business can make a profit;
2. Organisational changes – implications for shifting focus, power and resources and the way social media is profoundly affecting information, hierarchy and dialogue;
3. Managing the shift in culture in the mind-sets of both the new and existing staff towards the digital transformation;
4. Capability – how to bring in new talent with possibly very different ways of working and how the leadership team needs to adapt to lead the digital transformation.

We hope this edition will stimulate your thinking, whether you were “born digital”, have recently arrived, or are planning your journey.

Enjoy the spring!

Martyn
Competitive Advantage or Challenge?
The impact of social media on the organisation’s effectiveness

by MARK GOODRIDGE

In this article I look at the impact that social media is having on how organisations work and how we work within them. Much is written about the internet and the digital revolution and how they are impacting so many parts of our lives. In the life of the internet so far we can trace three phases:

1980’s – one to one connections: e.g. e-mail
1990’s - one to many connections: e.g. websites available to all
2000’s – many to many connections: social media

The third phase, social media, is only five years old. The digitised world is accelerating and social media sites have grown exponentially. The way we interact with one another has changed dramatically as a result. The most immediate impact is on our social lives, but how will it affect our work lives?

In September 2012 Facebook reached 1 billion users since its start up in 2004. It took 125 years for there to be 1 billion telephone users in the world. In 2011, YouTube had more than 1 trillion views or around 140 views for every person on earth!
The sheer volume of interactions is making social media a dominant channel of communication in people’s lives. It is through social media that we are now getting our information, ideas and opinions. We have the ability to exchange views and opinions without boundary and connect freely across geographies, businesses, governments and peoples. Much has been written about the revolutions in many Arab countries being enabled through social media. The rapid dispersal of ideas and information resulting in coherent assertive action. Similarly, the riots across the UK in August 2011 are viewed as having been fuelled by the ability to propagate information through social media. A sense of common cause and solidarity sweeps across folk that have never met or even previously known of each other’s existence.

As Ed Kessler, in his article in Perspectives¹ says, we are witnessing a massive democratisation of information. Everyone is a publisher, everyone is a critic. Social media engages everyone that participates, it gives voice to those who may feel that they have had none. Information can spread rapidly and initiate change with similar rapidity but there are no editors anymore, so misinformation and negative comment can equally proliferate.

The internet has brought huge advances for businesses. Within organisations themselves it has revolutionised communication, accelerated decision-making, enabled collaboration across organisation and geographic borders and provided platforms for the adoption of innovation. But it is the impact that social media is having upon how organisations work that I want to focus on.

Organisations are deigned on a foundation of ideas that have evolved over millennia. Social media challenges many of these ideas. Ideas about information, truth, hierarchy, authority and dialogue. Let’s consider the impact each have on the way we organise and manage our businesses.

**Information**

Organisations have hierarchies and within them are information hierarchies. The information that is at the disposal of the Chief Executive is very different from the work information available to the part-time cleaner. Some of this is driven by the nature of each person’s tasks, but other parts are shrouded in confidentiality - there are points and issues we don’t want to tell everyone. Can this survive the onslaught of social media? Governments are finding it increasingly difficult to control the flow of information, can businesses be any different? Are we moving to a world where most, if not all, the information in a business is available to all within it? If so, what does this mean for the nature of jobs?

This information explosion makes it harder for people to make sense of it all. Jobs often have well-defined boundaries of what information is required to do that job and organisations have had the means to largely control that information but maybe, no more. How can we ensure that people at work use only the necessary information rather than the increasingly available information? Do we just end up leaving it to the job-holder to pick the data from whatever source and disregard the rest? In a way, managers are the data editors but the risk is of social media disrupting and directing the information flow within the organisation.

This leads to us having to face up to the idea that social media may dominate the actual information flow within the organisation. Informal ‘whistle-blowing’ is growing and the very media that links people so well for positive outcomes can also be engaged to drive dissent and alternative truths.

¹ “Social Media and the Movement of Ideas” Perspectives - Dr Ed Kessler - The Woolf Institute (Spring 2012)
Competitive Advantage or Challenge? The impact of social media on the organisation’s effectiveness

Truth

As people have access to more and more information and opinions what happens to the idea of truth? In a Delphi study participants give their opinion on a subject and are then asked to assess their personal level of expertise. There is no such assessment in social media. Opinions and indeed fact becomes based on popular sentiment – if enough people are saying it, it must be true.

In 2009, San Antonio based Pear Analytics conducted an analysis of 2000 Tweets and found that 40% of content was “pointless babble”, 38% conversational, 9% forwarding information, 6% self-promotion, 4% spam and 4% news. Not an encouraging distribution for the upholders of fact and truth.

Recent reports suggest that many people tell lies in social media, or at the very least, stretch reality to give the most positive projection of themselves. This leaves the organisation with the challenge of corroborating or endorsing ‘truth’ in a web of information that is largely uncontrolled. Managers are going to have to become even more skilled editors.

Identity and Anonymity

One of the alarming consequences of social media is that many of the inhibitions, reservations and social norms that influence our face-to-face interactions get lost. Just as when we are behind the wheel of our cars we can swear and shout at our neighbours in a way that we would not if we were face-to-face; on the internet, opinion, judgement and information becomes detached from the person, it becomes anonymous.

The word bites of Twitter can only ever give a stylised view of a situation. Social media seems to encourage binary views of life where it is either truly amazing, awesome or catastrophic. We lose the ability to see ourselves anywhere in between. In a not-for-profit organisation I know, everyone is so pleasant and supportive of one another to the extent that that they have lost the ability to give a nuanced or graded response. Everything has become either ‘fantastic’ or a ‘disaster’.

One of the things about traditional authorship was that you put your name on it. You stood by what you had written and opened yourself to discussion and challenge, in social media not so.

So will all this erode our sense of identity at work? Will we increasingly use social media to provide the social interaction that work hitherto has provided?

Headhunters no longer need your CV - access to your social media profile or LinkedIn page is now sufficient. We are becoming our internet profile. Our ability to present ourselves differently in social vs. work networks becomes less credible and from the employer’s perspective we now have access to your social as well as your work persona.

Authority

In “Social Media and the Movement of Ideas” Dr Ed Kessler looks at Christian priests who just a couple of generations ago were seen as the moral and spiritual authority. No more, Priests are now rarely approached as figures of authority as the media and social media have become the primary authorities for religious information. Similarly, medical practitioners are increasingly challenged by web savvy patients who look up symptoms prior to a consultation and form their own diagnosis.

Historically, managers have had the authority that comes from having superior information and wisdom. Like the Priest and GP, will this start to disappear as information travels at the speed of looking at your smartphone?

The manager will have to increasingly be the means by which information is corroborated and endorsed but this is a tall order when any lapse of openness and partiality will lead to him or her being rapidly corroborated. Social media puts us all much closer to the ‘experts’ or ‘authorities’ on any particular subject so our managers may be seen as weak substitutes. Managers’ authority may diminish as everyone can access the oracle.

So where will the manager’s authority come from in the future? I imagine he or she will continue to have a strong influence on whether I stay in my job or go, whether I get rewarded well or not, but they will have to work even harder to earn my trust and add real business value.

Hierarchy and Power

One of the greatest benefits of social media is our ability to rapidly network across suppliers, work colleagues and customers. The formality of these relationships is in the past - we can network across suppliers, work colleagues and customers. The formality of these relationships is in the past - mediation between purchasing and customer departments is disappearing and we can now have instant feedback, make almost immediate changes and test new ideas. ‘Crowd-sourcing’ provides a network of contributors, customer groups provide the market research. Decision-making is rapid and stakeholders are engaged. Representative intermediaries will have an increasingly tough time as their role as communication channel disappears.

In the way we currently look at organisations, all of this strengthens the flatter and more informal organisation and maybe weakens the more formal. Social media has enabled massive change in politics; can we harness similar rapid change for good inside our organisations?
Dialogue

If we believe that one of the drivers of poor performance and strife in organisations is due to poor communication, then social media can be harnessed for good. However, if we also see that differences in view and not just differences in data drive division and discord then we need to uphold mechanisms of dialogue within the firm. Social media has an anonymous trend. Information and ideas become less personal, the opportunity to explore each others views and reasons may just get swamped out by 140 character tweets and judgements based on massive, unstated perhaps not conscious assumptions. Human beings are good at filling in the picture but we tend to use our own views of the world so to do. This is not a great recipe for dialogue.

The social media driven world is immediate and short on reflection. Our ability to hold anxiety in our minds before demanding answers or communicating it to others is declining. We want instant responses and social media is great at doing just that. However, the answers may be ill considered and not the result of some deep analysis and consideration of the options.

Good decision-making requires good dialogue and that comes from the exploration of different views and sometimes weak signals. We need to be careful not to substitute this for the often anonymous, quick judgements that social media seems to have driven us towards.

Conclusions

Social media is with us to stay, it will continue to grow and develop - precisely in what way I don't know. Within the world of work social media challenges many of our basic ideas that we see as components of organisational effectiveness:

- challenges fact, meaning, sense, context
- challenges “the truth”
- challenges hierarchy
- challenges authority
- challenges representative structures
- challenges our accepted ideas about organisation

What I do know is that it will impact the way we work in ways we have not yet realised. It will change organisation behaviour. Social media is part of our lives with many positive advantages. It will change the way we configure and manage our organisations.

I've asked more questions than I have answered, so my colleagues pick up the baton. Gary Ashton looks at how the desire for digital growth is impacting business and organisational models, Susan finds changes in organisation culture and Martyn and Paolo explore the leadership challenges of transforming a legacy business into a more digital one.

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Digital Revolution – Grafting the New onto the Old

by GARY ASHTON

The impact of the digital revolution is now having a fundamental effect on businesses that have traditionally been non-digital in what they offer, and in how they deliver that offering.

To begin, the digital revolution was epitomised by the growth in dot.com start-ups of the late ’90s that sought to take advantage of the internet as a retail platform. Many start-ups failed, but some, such as Amazon, EBay and Expedia, thrived. These were stand-alone businesses, ‘born digital’, that attacked the legacy, non-digital businesses from the outside. The legacy businesses responded by building onto their front-end a digital ‘shop window’, which allowed them to first market, and later sell their goods. But this didn’t really affect their core infrastructure, allowing them to continue operating and managing themselves largely as before.

But now we’re seeing a real step-change in the pace of this revolution. The impact of digital networks is starting to bite harder, as various products, channels to market, transactions and fulfilment go digital. This is forcing many legacy, non-digital businesses to respond to the threat of being sidelined, whilst others are discovering new emerging opportunities to pursue, that previously did not exist. Meanwhile those that have been slow to respond, have already suffered the consequences - such as Netflix and LoveFilm’s effect on Blockbuster, and the impact of Amazon on HMV.

“The failure of HMV, the last of the superstore music chains, is both sad and inevitable. It is sad because it signifies the beginning of the end of an era... It was inevitable because the way we consume music has been utterly transformed by the internet and a high store retail space no longer fills the interactive desires of a digital generation. It may be hard to understand how a business with 38 per cent of the market can fail, and questions have to be asked about its inability to adapt to the new models of the music business... Anyone whose heart mourns the loss of a record store is suffering from the bittersweet tang of nostalgia. We are mourning the loss of our own youth while a new generation forge their own rituals in the endless racks of cyberspace”.

(Neil McCormick, The Telegraph, 15 January 2013)

On top of this commercial challenge, the digital revolution is also having a dramatic affect on how all businesses organise themselves. The rise in accessibility of data is reducing the power base of some roles; and the emergence of social media channels is allowing problem solving and decision-making to be delivered in different ways. All of this is challenging how we organise ourselves, how we define roles and redefining the role of leadership. Mark Goodridge’s article on page 2 covers this in more depth.

Adapting the old whilst building the new

Meanwhile, in the retail sector, digital is disrupting the core activities of marketing, sales, category management, buying, fulfilment and information technology. So retailers are starting to fundamentally reassess their business models, to take account of where they create value, keep and win customers, and be profitable. Take Debenhams over Christmas 2012 for example, which made a success of its web and mobile channels and so saw a surge in online revenues, but also saw a decline in profit margins, partly caused by higher distribution costs of direct delivery. So adapting to the digital opportunities and threats cannot be simply an adjunct to the existing business strategy; it requires a transformational change to the business.

The Grafting Challenge

For a number of businesses nowadays, when that reassessment has taken place, the conclusion being drawn is that there is still considerable value in the existing assets – such as the brand and their relationship with customers and suppliers, which now need to adapt to the new competitive environment. But they are also concluding that they need to build a new digital-based proposition, with a new profit model.

And for this, there are two options: either to create a new independent start-up digital business (that may well ultimately compete with its legacy business) or build the emerging digital offering onto its legacy business. This latter option is the challenge of ‘grafting’ the new onto the old.
Taking the analogy of the horticultural and medical worlds, ‘grafting’ is inserting new tissue from one plant or body to another, so that they join-up and grow. With this approach comes the risk of the host body rejecting the new tissue before it has time to establish and flourish.

The same challenge exists with organisations, which requires answers about how to organise the business to support the old whilst encouraging the new: who makes what decisions, how to bring in new capabilities, how to establish new ways of working and how to shift the employee mind-set to thinking that this disruption is necessary and a welcome, albeit uncomfortable, change.

The Mobile 3G Experience

One industry that experienced this digital revolution earlier than most was mobile telecommunications. After only a few years of its young existence, the sector experienced a major disruption with the advent of 3G. The legacy businesses had been built around 2G, with appropriate functions and skill sets, but the emergence of digital challenged the very business model of how to make money. With that came the challenge of how to develop a new digital platform whilst maintaining the 2G cash-cow that, from then on, would be in long-term decline.

One option was to create a completely new 3G business entirely independent of 2G. For example, “3” was set-up from scratch, and BT created and then sold-off Cellnet (which subsequently became O2). However, other mobile companies wanted to keep their 2G business whilst growing a new 3G business. We experienced this latter option when working with a mobile telecoms business. Before 3G, the new non-voice opportunities were being roundly killed-off by the 2G incumbents. This was likened to 2G ‘antibodies’ surrounding and killing off these new ideas before they had the chance to grow.

With the arrival of 3G, it was recognised that they needed to bring in new technological and commercial capability and allow it to grow without the threat of premature death. This new talent also required different organisational structures and different ways of working - permitting them the freedom to explore and develop, without being cramped by the more operationally-driven 2G business.

So a new business was initially established, ‘semi-detached’ from the legacy business, geographically distant from the parent with a different structure and ways of working. But as 3G was ultimately reliant on the existing 2G customers and suppliers, at some point it needed to be grafted onto the legacy business. So this needed the employees within the 2G world to accept and embrace the 3G business, and ultimately to work together on how to move over to 3G without prematurely jeopardising the 2G cash-cow.

...and how to shift the employee mind-set to thinking that this disruption is necessary and a welcome, albeit uncomfortable, change.

Defining the Transformation Challenges

For some businesses this digital revolution can mean radical changes to how it markets, sells and fulfills its products and services. With others, the very product itself is shifting from a physical form to a digital form, which in turn requires a fundamental change as to how it does business. So how do you deal with such challenges?

We see four key challenges that organisations need to address to survive and thrive in this digital era:

1. Changes to the business model – identifying where and how a business can make a profit and redefining the metrics used to manage the business;  
2. Changes to the organisation – understanding the organisational implications of shifting focus, power and resources and the massive democratisation of information;  
3. A shift in culture – in the mind-sets of both the new and existing staff towards the transformation, to avoid the negative consequences of a culture clash (see Susan Carroll’s article on page 10);  
4. The need to bring in new capabilities - how to bring in new technological and commercial talent - with possibly very different ways of working. How the new digital leadership will interface and get things done with the existing non-digital core functions will be critical to the success of the transformation (see Martyn Sakol’s and Paolo Moscuzza’s article on page 14).

continued overleaf...
Digital Revolution – Grafting the New onto the Old

Diagram 1: the grafting effect – knowing what to keep separate, how to interface and when to integrate
So it is important to redefine what and how decisions will get made. This is what we call “Primacy” – understanding which decisions drive the momentum of the business – who leads, and who follows.

**Share Capability and Capacity**

Once the core of the new and existing business propositions have been defined, the next step is to define what capabilities can be shared across both, in order to gain the benefit of being part of one organisation and to help assimilation of ideas across both businesses. This is particularly important to get right for the company’s Shared Services such as Finance, HR and IT, and how they provide the right level and type of support for the new as well as the legacy business.

**Redefine Interfaces**

Any reconfiguration of teams and decision-making will necessarily require a new set of relationships between functions and teams – leading to a need for determining who makes what decision and who is involved in the decision-making process. For example, product decisions impacting on sales and fulfilment; and marketing and selling decisions impacting on information technology.

**Lead the Business Transformation**

Answering all of these questions effectively is about leading a business transformation. This requires the top team to collectively create this new organisation, so that there is shared understanding and buy-in of the principles, end-game and shifts in power.

Ultimately, by successfully leading such a transition, ensuring the support of the legacy business whilst grafting on the new, can be the making of a revitalised business that thrives in the new digital marketplace.

So it is important to re-define what and how decisions will get made. This is what we call “Primacy” – understanding which decisions drive the momentum of the business – who leads, and who follows.

**Redefine how you manage your value chain**

Start with a look at your core value chain and understand the value-adding activities of your business (see diagram 1). Compare how you currently configure your existing teams and their resources, accountabilities and decision authorities, and consider options for the future that take account of the need to first lead the building of the new digital proposition, and then transition into a new steady-state.

This might mean creating a cross-functional business unit that brings together a set of disparate skills, for the purposes of developing and delivering a new digital offering, rather than keeping the skills dispersed across more traditional functions. The trick here is in getting the balance right between what is separated out, as opposed to being shared, and for how long it remains that way.

**Redefine your Metrics and Decisions**

Working down the value chain, you can identify and evaluate the consequences of grafting on a new digital business, by assessing which areas will be affected, and what that might mean for what gets measured, what decisions need to be made, and who is accountable for those decisions. For example, the consequences of increased levels of home delivery in retailing can require a reassessment of how product profitability is measured, and therefore how product decisions are made.

It also might mean that if a new digital unit is created, its goals are initially more around share growth rather than profit maximisation.

**Redefine Primacy**

To deliver this change often requires a power-shift as to which area is driving the business. This power-shift will be different for each business, depending on what capabilities they currently have and where they need to develop and change the most. For instance it might mean the need for a Chief Digital Officer, or equivalent, to lead the technological transformation. But with this, it is important to also define how the decision-making of the transformation is woven into daily commercial decision-making. Over time, the commercial decisions of a business will necessarily change, as the value of the digital offering is realised, and the new morphs over time into business as usual.

**For example, the consequences of increased levels of home delivery in retailing can require a reassessment of how product profitability is measured, and therefore how product decisions are made.**

So to change the organisation, some of the key issues to address are as follows:

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For more traditional businesses, taking the step to evolve a digital strategy to stay competitive may create an unexpected cultural divide between the ‘old’ and ‘new’ order unless thought is given to how this is managed. As Generation Y, or ‘Digital Natives’, grow up to become employees and customers themselves, so traditional businesses need to adapt to meet or exceed their expectations. However, existing employees and customers must also be brought along.

In adapting the old to meet the new, organisations can unwittingly drive a culture gap between ‘digital’ and ‘traditional’ creating friction where neither sees a common vision or fully understands where objectives are shared. Left unchecked, the gap could become a gulf, your workforce could begin to split into ‘us and them’, and your value proposition may be left floundering in the middle.

**Culture the Digital Way - Innovation and Creativity**

It takes time to change culture effectively and unlike companies that are ‘born digital’, traditional companies may struggle with the relentless rapid change that underpins the digital way. The growing use of social media and the expectation of response immediacy is becoming a feature of this cultural evolution. Cultural re-invention and the ability to adapt quickly to change relies on being creative and innovative; it must be made possible for the workforce to display these behaviours and for the business model and operational processes to support this.

When adopting more digital practices, organisations must carefully manage the evolution of legacy systems and legacy culture. It is not a case of simply grafting on a digital proposition and hoping it will take. Despite the ‘virtual’ nature of the digital business way, real customers and employees are drivers and recipients of the changes being made.

Succeeding in the digital world depends upon understanding the end user customer and being innovative in quickly reacting to changing patterns or predicting what a customer need might be. This is often without 100% of tangible facts so some decisions (underpinned by technology) may seem like ambiguous leaps of faith.

In the retail space, the best of the digital companies have embraced this risk but used the facts they have in upselling and cross-selling to us, reminding us of ‘what other customers have bought’ or what ‘we might like’ before we head to the online check-out.

Companies such as Amazon obsess about customer service. Products are despatched within hours, delivery occurs at the convenience of the customer and the whole experience feels seamless, effortless. They make it easy for the customer and they do it instantly. They provide value-added service, tailored to customer need – it’s that level of service (and often the immediacy of it) that many of us now expect from all companies we deal with.

Being (and staying) creative and innovative, then capitalising on customer, competitor and market research/analysis, are distinctive culture features of successful digital organisations. Unless digital players are continually researching customer needs, analysing their data and acting upon emerging patterns, they could quickly lose out to their nearest competitor in selling additional goods, providing a value-added service or bringing the next big thing to market. Building these aspects into the culture and hiring Generation Y employees who are strong in these areas help make the born digital companies successful.

**Avoiding a Culture Clash**

For a more traditional organisation, adapting to thrive in this digital world can prove challenging given the need for a significant cultural change. John Lewis is a good example of a traditional British high street organisation that has evolved a successful digital business operating in tandem with its physical retail stores. Rather than ignoring its reputation as a trusted customer service led organisation, it has made a feature of this cultural attribute within its online business in building a complete customer experience. As it has seen high sales growth from its online business, it is now extending its digital reach to a new global customer base which will buy with confidence assured by the traditional cultural reputation.

The cultural shift required to support a ‘bricks and clicks’ operation also has a significant influence on operational processes and how these support customer interactions. During the process of change, new and traditional cultures can rub up against each other. It is important to understand where the two
cultures meet and define how best to smooth the interface between them. To avoid the workforce splitting into ‘us and them,’ employees will need regular, consistent, communication in a variety of ways from their senior and more immediate leaders. This will help them understand in their own terms that adopting a new way forward will help secure them and the organisation a more competitive future.

How the leadership team and workforce engage with new cultural behaviours, practices and attitudes can fuel or diffuse the culture gap. For example, the significant growth in online sales at John Lewis has led to a revised, less hierarchical, retail organisation structure. Strong growth is being seen online but customer practice may still be to visit the store to see what the product is like prior to purchase. Hopefully, customers will also buy other goods whilst there so a different model may support this change and be more cost effective. To stay current and competitive, other organisations may need to reorganise to support a multi-channel model. It’s therefore important for all leaders to create and cascade a clear vision that employees and customers can understand and engage with so that emergent cultural practices aligned with external and internal changes can be supported.

Audit: Define the Gap

A culture audit can help identify the gap between the two cultures, as it can highlight where potential risks and opportunities are and provide assistance with risk mitigation and management. For example:

- The existing organisation may traditionally work functionally and see little need for collaboration. However, for the new digital business to survive, it may be essential that a highly collaborative way of working is developed.

- In the existing business, employees may commute to work every day, work 9-5 serving predominantly local customers and prefer a very structured working day. If the need for the new digital business is to be innovative, flexible, and have working hours to enable interaction with international customers 24 hours per day, this will significantly impact existing employees and ways of working.

- Customer support may need to happen in real-time using online chat to serve an international base rather than over the phone or face-to-face at a more local level. For some, this could pose a challenge.

continued overleaf...
Employees may be excited about doing something different and see career progression opportunities or feel daunted/threatened by radical changes. A hiring or development programme may be needed. Some employees may feel positive, some negative, which influences the views of others unless understanding and engagement is fostered early on and throughout the change process.

The table below offers a simplified illustration of how a traditional organisation may see itself culturally now and how it may need to change to be successful as a multi-channel business:

**TABLE 1.0: Illustration of traditional vs. digital culture across key dimensions**

<table>
<thead>
<tr>
<th>Cultural Dimension</th>
<th>Illustrative Traditional Business Culture</th>
<th>Illustrative Digital Business Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workforce</strong></td>
<td>Local, office based</td>
<td>Mobile, can work remotely</td>
</tr>
<tr>
<td></td>
<td>More predictable work pattern</td>
<td>More flexible work pattern</td>
</tr>
<tr>
<td></td>
<td>Work/life balance</td>
<td>Work/life integration</td>
</tr>
<tr>
<td></td>
<td>Homogenous</td>
<td>Diverse</td>
</tr>
<tr>
<td><strong>Commercial</strong></td>
<td>Focus on customer service</td>
<td>Focus on entire customer experience</td>
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<td></td>
<td>Account management</td>
<td>Proactive sales generation</td>
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<td></td>
<td>Opportunistic</td>
<td>Entrepreneur</td>
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<tr>
<td></td>
<td>Cost reduction</td>
<td>Value-added</td>
</tr>
<tr>
<td></td>
<td>Local/national customers</td>
<td>National/International customers</td>
</tr>
<tr>
<td><strong>Operational</strong></td>
<td>Stand alone legacy systems</td>
<td>Centralised web based systems</td>
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<td></td>
<td>Siloed</td>
<td>Collaborative</td>
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<td></td>
<td>Data integrity &amp; analysis</td>
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<td></td>
<td>Predominantly historic reports</td>
<td>Real time, agile reporting</td>
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<td></td>
<td>Incremental improvements</td>
<td>Active, continual improvement</td>
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<tr>
<td><strong>Leadership</strong></td>
<td>Transactional</td>
<td>Transformational</td>
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<td>Ambitious</td>
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<td></td>
<td>Factual</td>
<td>Visionary, innovative</td>
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<td></td>
<td>Risk-averse</td>
<td>Risk-taking</td>
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<td></td>
<td>Analytical</td>
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This scenario provides a good illustration of where cultural similarities and differences could be across four dimensions of leadership, workforce, operational and commercial:

- If the requirement is for transformational rather transactional leadership, and a risk-taking rather than risk-averse approach, does the current leadership team have existing capability/desire to rise to the challenge?
- Both traditional and digital leadership cultures are ambitious so this may help to move things along.
- What additional skills may be needed to make the new digital organisation successful?
- What will any new leadership talent look like and how should hiring decisions be made?
- New employees comfortable with higher levels of mobility may be sought and their expectation may be to work flexible hours remotely rather than coming into the office each day. This could be uncomfortable for existing employees if they do not understand why this is the case. However, the experience and skill of existing employees in managing current operational systems and processes may be essential to ensure continued success. Knowledge and understanding of this could help diffuse some uncertainty.
- To support a multi-channel model, a new organisational structure may be needed to manage a new process but existing experience could be re-deployed elsewhere. Processes and systems may require greater centralisation, for example with existing and new employee collaboration essential for success.

By engaging the workforce in changes and helping them understand why, resistance is reduced and managed more effectively to make strategic and cultural changes more acceptable. Resistance will not be avoided altogether, but a culture audit is likely to find points where the two worlds could meet more productively and help leaders and teams move through the change curve at a faster pace. How practices are engaged with internally will help bring traditional customers along with the changes too. After all, a key driver of the change may be the meeting of customer driven need following significant market research and data analysis.

There is no quick fix culture change recipe to be applied to any organisation. By gaining an in-depth understanding of the existing organisation, where it wants to get to and in what way, communication and engagement throughout the process can help manage cultural risk.

By its nature, the digital world is constantly changing and dynamic. For more traditional businesses coping with such dynamic change can be particularly daunting. There will always be aspects that cannot be controlled and things that take us by surprise. However, digital business models can be designed to support key cultural attributes that help smooth the way and build success both internally and externally. Taking steps to close the gap between the traditional and digital cultures to find a new way forward can enhance both employee and customer experience and help regain competitive edge.

**Jointly Creating a New Culture**

Organisations need to find points at which the traditional and digital can meet and collaborate using joint experience to reach a common goal. Collaboration opportunities between the existing and new businesses could also provide an important step in building understanding of the new vision and in creating a new jointly created culture which harnesses the best of both. This will help employees to close the cultural gap and to find a shared way forward. If customer service is a primary focus for the current organisation, building a vision of how this can evolve to become a complete customer experience will help the existing team make sense of the vision in their own terms. Leadership communication of a common goal and the part employees play in it assists employee understanding of change and where they can take ownership.
The Digital Leadership Challenge: Vision and Character Strengths

To build a digital business alongside an existing physical business is not just about the implementation of a digital strategy. It is about the transformation of a physical business with digital as a core component that touches every part of a business and impacts on many roles. This transformation should not be left solely to a ‘Chief Digital Officer’, indeed the whole of the executive team needs to understand the digital way and how social media is affecting the way our organisations behave. However, appointing a designated digital leader is a good place to start.

The moment of truth for digital leadership is how to go about re-engineering an organisation, born in the physical world, to thrive in the digital one. The core capability for a digital business leader is to do this in a way in which technical and commercial capabilities are integrated together as a business strategy, and that doesn't undermine the legacy business. This is the central challenge for any digital business leader.

Finding digital leaders that have a vision for both worlds:

To successfully bring together the digital and the ‘traditional’ requires digital leaders that hold a vision of, understanding and affinity with both worlds, and an ability to navigate, influence, adapt and manage the many trade offs that need to be made. There are many potential challenges:

- They may be hard to find: It is unlikely that we will find them simply by searching for a familiar job title (e.g. CDO, IT Director, CIO). They may be hidden within a role such as CMO, CTO, Head of Digital Initiatives, Director of Online, Digital Director etc.

- Their key technical skills may be difficult for a traditional legacy business to understand and recognise: They may range from skills such as data science capability, mobile app development, social network strategy expertise, web content generation, cloud architecture, process architecture.

- Many in a legacy business organisation either won’t get what all this is about, why it’s important, how it’s different and therefore may feel threatened and make it difficult for a digital business leader. Employees of the legacy business may be used to a more concrete vision defined by boundaries and physical resources; so leaders need to help everyone make sense of the move towards digital and the part that they will play. And there will often be tension - for example, businesses that have been built by many years of hard work of employees on the shop floor now face staff cuts because the growth is online. The vision can feel 100% digital with the legacy business left behind.

- They may not get the support they need from expected sources: Internal IT functions are unlikely to be skilled or agile enough to be of sufficient help to develop the digital proposition. Indeed internal IT may be a blocker, protecting the old order.

- There may be conflicting messages within the executive team: Some may be eager to plunge into digital whilst others may be wary.

So not only will a new digital leader need to have the right combination of technical, commercial and behavioural skills but the organisation will need to understand how to find and assess them.

Leadership Capability

Paolo Moscuzza's article opposite discusses the importance of character strengths when recruiting to build the digital strand of the business. It’s all very well finding a bright, capable digital leadership with proven experience delivering online projects but if they cannot build relationships with people in the legacy business or have sensitivity to the challenges of building the new within the old… the proposition is going to fail.

by MARTYN SAKOL

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The Great Pretender

Last year I assessed a candidate for Operations Director for a successful traditional business that was planning to develop a new digital proposition over the next few years. The digital strand was likely to account for 20-30% of the business revenue in three years.

Let’s call the candidate Andrew, (although you know perfectly well that is not his real name!). He was one of three candidates that had been shortlisted and the preferred candidate from an early stage. He had scored the most points in a competency-based interview (especially on leadership and commercial focus) he was passionate about technology and change, very bright and had excellent experience of working in technology.

The OE Cam assessment process included the following:

- an ERCONIC™ interview which is a full biographical interview to understand his drive, motivation, decisions he has made and approach that has got him to where he is;
- two personality profiles to understand his general approach and potential risks under pressure;
- a situation-based problem solving exercise where he was presented with scenarios that were specific to the company and had to make decisions and project the consequence of those decisions.

Pre-assessment, Andrew had been described as the strongest candidate after the competency-based interview. However, I was clear that Andrew was the wrong person for the role for five key reasons:

1. Unable to relate to people with an affinity with tradition
2. Not interested in the core business (he only focused on technology and in particular innovation)
3. Unreceptive to feedback – he always wanted to be seen as great, even when he had messed up
4. Loved to display status
5. Enjoyed creating crises to get his adrenaline going.

“Andrew assumed ‘digital was everything’ and would likely seek a revolution as opposed to an evolution.”

by Paolo Moscuzzo
The Great Pretender

The assessment did not contradict the competency-based interview. In the right environment Andrew had great potential. However, Andrew was not right for this company at that particular point in time.

They needed an individual who would gradually introduce the digital proposition to customers and not at the expense of physical. But our assessment clearly showed that Andrew assumed ‘digital was everything’ and would likely seek a revolution as opposed to an evolution.

The client did not want to ignore the assessment but was convinced Andrew was worth a shot. He was appointed but resigned after only eight months (just before he was going to be sacked).

In his discussion with his MD he said “The people round here are not as bright as the ones in the previous organisations I have been in – they don’t get it. I can’t work with them”. Andrew rarely acknowledged any successes in the physical product whereas he kept over-promising digital successes. He had prioritised digital in a very visible way by constantly cancelling non-digital meetings and would arrogantly talk about “bringing you lot into the 21st century.” He even refused to admit to messing up a recent digital project and distorted the facts to try and make out it had been a success. This was in a culture where people admitted mistakes and learnt from them.

Cultural and Character Fit

Andrew just did not fit. If the organisation had planned a rapid transformation to digital delivery then some of Andrew’s attributes may have in fact been desirable. However, in this case the digital proposition would be a gradual change with a lot of speculation about the level of potential growth and so there were certain character strengths that would be key.

‘Humility’ would be an appropriate character strength for this particular organisation. Character strengths should not be confused with personality. They run deeper, are far more inherent and attitudinal and are much harder to change or sustain under pressure. Humility comes from the Latin word ‘humilitas’ which translates as ‘humble’ or ‘grounded’. It is often seen as a virtue in religious and philosophical traditions. It is very easily observable in children (or not) at the end of a competitive activity. Even when there is no success, an absence of humility can lead an individual to pretend to be successful. For example, Andrew pretending the failure of a project was actually a success.

In the words of The Platters (and with a great cover by Freddy Mercury):

“Oh-oh, yes I’m the great pretender
Pretending that I’m doing well
My need is such I pretend too much
I’m lonely but no one can tell”

Andrew’s absence of humility had led to him rubbishing the past (which had been very successful), making assumptions about customers’ desires for digital (which were not always correct) and a major negative affect on the people who had developed long term customer relationships.

Humility is an example of a character strength that was required in that organisation. The ability to adapt, empathise with different perspectives and test evidence that is contrary to your beliefs were also critical to the role. Technology has made it very easy for people to find evidence to support their hypotheses. During transformational change, critical thinking - and specifically the desire to test hypotheses that go against personal beliefs - get neglected in the euphoria of change.

The example illustrates that competence and competencies are not enough when character fit will enable or disable success. Those character strengths can only be assessed through more sophisticated techniques and increasingly organisations are using them to manage risk more effectively.

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The moment of truth for digital leadership is how to go about re-engineering an organisation, born in the physical world, to thrive in the digital one.

How the leadership team and workforce engage with new cultural behaviours, practices and attitudes can fuel or diffuse the culture gap, change.
And Then There is the 'Cambridge Phenomenon'...

by ANN GAMMIE
OE Cam works with clients all over the world, but our roots are in Cambridgeshire, UK. This has an established reputation as a thriving hi-tech cluster, including Biotechnology, Pharma, IT and world-class research companies. In a recent book, ‘Cambridge Phenomenon Revisited’ (www.sqw.co.uk), Cambridge was described as “the single most important region in the UK in terms of GDP generated from innovation and technology, and is arguably Europe’s leading technology and biotech cluster”.

It seems unfitting to refer to the digital age without citing this Cambridge phenomenon, surrounded as our office is by science and business parks with a myriad of organisations that in many cases exemplify aspects of the digital age. They certainly offer insights into how organisations start out as digitally intelligent businesses or how they grow and adopt digital practices.

Look at the sectors that dominate Cambridgeshire: ICT and Telecommunications; Biotech and Life Sciences; Low Carbon environmental goods and services; Manufacturing, Engineering and processing; Agriculture, Food and Drink; Logistics; Creative industries, including computer games and the Visitor economy. We also have The University with a number of faculties and colleges spawning breakthrough thinking and outcomes, we have Venture Capitalists and ‘Angels’ who advise and support new ventures. Many of these make immense use of digital communications and the interactive cacophony it enables. Taken as a whole, these sectors cover the gamut from grounding us in earthly limits to elevating us to outer space.

While Cambridgeshire is not perhaps unique and while the digital age means 24/7 global access, there is a parallel development going on here that help make clusters special. This county abounds with networks, with forums for people to physically get together; lots of people know each other across these sectors and actively connect. So, what is going on?

I wonder if the digital age triggers enthusiasm for co-creation, for building together, for jointly determining standards, borders, ways of working?

It is easier than ever to find out what people want and expect, what they think, where their biases are; people are free with their opinions and views, offer them unprompted – so, now we know what each of us thinks, let’s get together and see what we can develop. Where substance (depth of soundly established knowledge) is in tension with sound-bites (uncorroborated gut feel), how do we navigate in this ‘sea’ of polarised forces without dialogue (rather than exchanges) and sometimes that needs to be a moment in time and face to face.

I wonder if it encourages people in one sector to eagerly learn from other sectors? We can find out lots digitally and then go see them having picked up some of their ideas and lexicon. I can test whether your apparent perspective offers something for my business, whether aspects of your work dovetail with mine.

I wonder if it generates more respect across the spectrum of types of work? Online customer experiences need backing up with excellent physical delivery; great ideas are not always easy to articulate and communicate, we often need a mediator to ensure our voice is heard reasonably accurately. Optimising our goals is so dependent on others – and because we can learn much about each other online we are teased into wanting to know more, so we can truly collaborate and co-create. Working with them makes sense, and now that I have a hint of who they are as people who present themselves as approachable, I will!

From what we see in our area, there is a buzz that embraces digital and face-to-face interaction, each seems to be feeding the other, and connectivity grows. Should we be concerned that we might be tilting towards chaos and pulling away from rigidity? Are we ok with it, can we make it work? Has the digital age encouraged, enabled and stimulated this perspective?

Help us build knowledge and develop insight by responding to our questions based on your experiences and views, wherever you are. We will share what we learn.

What does the Cambridge Phenomenon say to you, if anything?

- What resonates with you about the digital world?
- What do you see emerging from this fledgling digital age?
- What do you see as the critical issues and opportunities for a digital future?

We look forward to hearing your views.

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About Us

Organisation Effectiveness Cambridge is a boutique firm of consultants who help maximise the effectiveness of individuals, teams and organisations.

We believe that organisational effectiveness can only be improved through tackling the ‘hard’ with the ‘soft’. We view your organisation from multiple perspectives - the behavioural, the structural, the cultural and the economic so that we get to the essence of your challenge and deliver bespoke, feasible and creative solutions.

Our clients span industry sectors and international boundaries and include: Associated British Foods; BBC; City & Guilds; Coller Capital; Daiichi Sankyo; Department of Health; Home Retail Group; Jordans Ryvita; KwikFit; NHS Luton & Beds PCT; Pitney Bowes; Primark; PRS for Music; Ryder; Silverspoon; Smiths News and Vodafone.

What we do

Our services are clustered into five areas of expertise:

- **Organisation Development** - we analyse situations to identify which interventions will develop greater business effectiveness and growth; and build your capability to plan and implement any required change

- **Executive Assessment** - we deliver individual and team assessments to give you confidence to make strategic people investments, including succession planning, recruitment and pre/post M&A due diligence

- **Leadership Development** – we define and build leadership capability to deliver your strategy. We coach and facilitate executive teams for performance improvement and business growth

- **Organisation Design** – we create aligned, accountable and agile organisations by assessing how coherent your organisation is now and developing options for where and how it can be improved. We develop innovative reward solutions aligned to effective performance management mechanisms

- **Board Development** - we review and develop board effectiveness and work with executive teams on governance and organisational impact.

And because we are a boutique consultancy, your experience with us will be a personal one. We will invest the effort to get to know you and your organisation to jointly deliver the outcome you are seeking.

For more information please visit [www.oecam.com](http://www.oecam.com) or call us on +44 (0)1223 269009.
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