EIGHT EXECUTIVE TRENDS FOR 2017
Leading In a Digital World
EIGHT EXECUTIVE TRENDS FOR 2017

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As executive search consultants, we help companies find senior leaders and executives who are able to drive growth and implement change in a world that’s ever more digital.

After the successful first edition of Page Executive articles last year, we were inspired to bring together the expertise of our executive consultants in a new series, covering key trends within their specialist areas.

These trends reflect the digital nature of the change that impacts all of the sectors in which we operate. Yet the human dimension remains a central component: talent is at the heart of all considerations when driving such change and taking organisations forward.

Our 139 Page Executive consultants in 24 countries are uniquely positioned to help you find the essential talent to capitalise on these trends. In “8 Executive Trends for 2017”, we describe the nature of the changes we observe and how senior leaders and executives play a key role as new trends begin to surface.

I hope you enjoy reading our new series of executive trends.

Please let us know what you think!

Olivier Lemaitre
Executive Board Director
Page Executive: a fresh approach to executive recruitment

The corporate world is in a state of rapid transition and companies need the right people to successfully lead them through this transformation.

At Page Executive, we have rethought our business model to better align with our clients’ needs.

We help you identify business leaders that fit your culture, values and strategy.

It is our intrinsic motivation to help your organisation to move forward in order to be successful in a constantly changing, fast-paced environment.

Our focus is not just on searching for and finding top talent, but on becoming your long-term business partner, a trusted adviser who can help you recruit the executives who will drive your organisation’s growth and ensure its future success.
EIGHT EXECUTIVE TRENDS FOR 2017

TREND 1
How generation Z is redefining the role of the HR leader

The aspirations of a new wave of employees are impacting HR strategies and pushing organisations to clarify and redefine their purpose.

Companies are expected to demonstrate their values, which are ever more visible and subject to scrutiny, due to increasing digitalisation.

Leaders are instrumental in successfully attracting talent from Generation Z, those born in the mid-1990s and the mid-2000s. Business leaders represent not only what their company does, but what it stands for. They will increasingly need to make their business attractive to these enterprising, resourceful ‘digital natives’ who are now entering their twenties.

With baby boomers, millennials and older members of Generation Z active in the workplace, the very nature of how a company operates is affected, and its management even more so.

Introducing Generation Z

Generation Z, the youngest of the set, are highly perceptive, due to their online access and culture, and can quickly see through corporate brands that are disingenuous. They want to see companies passionately uphold their principles and stand by what they advocate – not just ‘talk the talk’.

Leadership style, talent retention strategies and employee engagement are just some of the challenges companies will face as a result.

Esther Roman, PageGroup Regional Human Resources Director, observes, “Companies traditionally tend to approach work with a ‘there’s a job to be done’ mindset, whereas employees are increasingly driven by the mission
and by being trusted to fully execute their job. Such employees tend to want to contribute, making them ideal entry-level professionals. Employers must therefore review their strategy, so they can find and connect with these potential employees.”

HR Practice Leader for Page Executive in Europe Raphael Asseo expands, “Generation Z put their work ethic, diversity and work-life balance at the centre on their interest and priorities when deciding whether or not to join a company.”

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A new wave of resourceful employees

Generation Z are self-motivated and entrepreneurial in spirit. They have been confronted with uncertainties, more even than the millennials, the generation that preceded them. As a result, they seek a job that is meaningful: salary isn’t the bottom line. Furthermore, they have seen their parents’ and older siblings’ loyalty go unrewarded by employers, so for them loyalty has to be a two-way street.

They are digital natives who have grown up in the online world. They are progressive and have had access to more resources than ever. They tend to be great networkers, which significantly improves their chances of succeeding at whatever they put their mind to.

An example of a successful member of this generation is Nick D’Aloisio, born in 1995, a computer programmer and online entrepreneur who founded Summly, an automatic summarisation algorithm. He sold the app in 2013 for a reported $30 million US dollars, making him one of the youngest ever self-made millionaires. He later went on to lead Yahoo News Digest, before eventually deciding to return to university.

Nick D’Aloisio represents the entrepreneurial, go-getting spirit of Generation Z. Others are those who tend to prefer working in flatter corporate structures, and in companies where they can be agile and participate in the decision-making process.

More traditional companies now need to create common ground for working with such a generation. Flatter management structures and using an agile methodology are just some of the measures that will create the conditions for a more fruitful and mutually respectful working relationship and help in retaining talent.
Is what you stand for attractive to Generation Z?

Reflecting on purpose is important to Generation Z. Companies need to revise what they stand for, particularly as it is expected that the workforce will include at least 50% of Generation Z by 2020.

But how do employers do this effectively? For a start, they must go beyond the marketing blurb and corporate social responsibility (CSR) page that appear on their websites, as these will not whet the appetite of those wishing to be part of a greater cause.

CSR as a cynical act for tax-saving purposes will certainly not impress this generation. Does the company really stand by its chosen cause? Often businesses lose sight of this. Having invested great effort into sourcing a cause and aligning it to their business in the early stages, they allow the relationship to peter out over time.

Esther Roman explains, “Leaders need to ensure that in defining what they stand for, they don’t just ‘tick the boxes’. In an era where companies continually find themselves in the public spotlight, this will soon become all too apparent. This makes the visibility of the employer’s brand, in its broadest sense, increasingly important in the HR strategy, with the need to project value, culture and delivery – all of which need to be consistent and managed effectively.”

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Transparency and flexibility – a partnership in retention

As Generation Z pushes the boundaries of traditional work-models, HR departments will need to review their talent retention strategies. An extreme example is Buffer, a social media company founded in 2010 that publicly discloses its salaries.
In 2015, PayScale surveyed employees regarding job satisfaction and pay. It discovered that the more information employees have about why they earn what they do, the less likely they are to leave. They seek transparency on everything and this even includes management. Does your company have a development plan in place?

Additionally, flexible work models are something that many will not only be accustomed to but will also feel entitled to. At design software company Autodesk, based in the USA, employees can take advantage of a six-week sabbatical, and enjoy free meals and flexible working hours.

Offering flexible schedules and remote working capabilities gives employees a sense of control, particularly around the work-life balance. It also boosts engagement and can help resolve talent shortages.

Such models aren’t restricted to creative or start-up companies; large corporate enterprises are also taking note. They rightly recognise the need to review traditional, outdated policies in order to hire and retain this increasingly important element of their workforce.

Leading by example

CEOs need to be engaging and take every opportunity to communicate what they stand for.

Marc Benioff, Chairman and CEO for Salesforce, is a good example of ‘going beyond business’. When his company was established, he initiated a 1-1-1 philanthropy model, donating 1% each of its products, equity and employees’ time to the community. Benioff is also vocal – and active – on social issues such as equal pay and human rights. His engaging and influential approach shows how an authentic leader can make a big difference.

As the prominent face of the company, CEOs and other leaders should show solidarity and a genuine intent to make a difference, or risk losing credibility. They must ‘walk the talk’, as ultimately employees will mirror managers and managers will mirror leaders.

Profitability is, of course, essential to running a sustainable business. But focusing solely on the numbers indicates a disconnect and a missed opportunity to identify and project what you stand for.

In conclusion

The real challenge for HR is retaining Generation Z, making it clear what the business is working towards and creating an attractive proposition for them. Leaders must consistently demonstrate why their employees have made the right decision in choosing to work for them.

KEY TAKEAWAYS

- Leaders are highly influential in defining what their company stands for and communicating it in an authentic way
- HR leaders need to take into account employees’ expectations around meaningful work and flexible working
- Transparency is an important component in a company’s recruitment strategy, particularly with this new generation of employees
Trust is a vital element in business. If companies do not nurture and build trust, they will face difficulties in engaging their staff, and attracting and retaining key talent.

Analytics gained from digitalisation allow businesses to have more visibility in terms of accuracy, performance and ultimately control – thereby influencing trust.

In finding out which industry was regarded as the most trustworthy, Edelman’s Trust Barometer surveyed a range of over 33,000 people from the general population. The results placed technology as one of the most trustworthy, above industries such as pharmaceuticals, automotive and telecommunications.

The CFO – champion of innovation

The Finance function has gone through radical technological transformation. The expansion of more fluid automation has led to the shortening and streamlining of time-consuming manual processes, including internal audits, archiving and bookkeeping. This automation has led to a greater ability to discover and notice patterns in data and identify emerging trends, ultimately optimising the workforce and improving efficiency.
Since change is inevitable, it is imperative that CFOs fully prepare for change. They must build trust within their team and across the wider workforce by displaying true leadership, and clearly communicating the vision of their department, what that will entail for the business and what the impact will be on teams.

Honesty about the current state of affairs and clarity on the vision will help to facilitate change. Involving employees in the process, keeping them posted on progress and celebrating success will not only help engender trust but better prepare them for the new future, improving the chances of their becoming engaged advocates.

"Honesty about the current state of affairs and clarity on the vision will help to facilitate change."

The need to steer and change the mindset

As reported in our CFO & Financial Leadership Barometer, CFOs are perceived as the change leaders who implement these new systems and help to drive the industry and company forward. They now have the added pressure of maintaining and improving trust levels internally and externally. This is taking place at a time when IT has bigger implications regarding legal risks, HR topics are becoming more complex and there is the growing use of technology in business.

More often than not it is the process that employees tend to have difficulty adopting, not the technology or system itself. Ensuring that processes are set up as efficiently as possible to minimise disruption will contribute to wider adoption and faith in the change.

The importance of the ‘human touch’

Innovation usually impacts the human side of any business. Amid the changes brought by automation, HR has a role to play in retention, in conjunction with the CFO. They will have to develop programmes together in order to foster and maintain levels of trust.
Finance today needs an `ecosystem` of employees with the right skills, systems that support higher levels of automation, and processes to achieve effective overall control.

**KEY TAKEAWAYS**

- CFOs have become champions of innovation and leaders of change and their sense of people management is increasingly important.
- When enacting change, CFOs have responsibility for influencing their employees’ mindset to win the wholehearted trust of their workforce.
- CFOs need to be transparent about the vision of their function to inspire trust within the business as a whole.

Finance today needs an `ecosystem` of employees with the right skills, systems that support higher levels of automation, and processes to achieve effective overall control.

In order to instil trust CFOs and HR leaders must reassure their workforce that some new roles will emerge. It is important that the CFOs assess their employees to see who can adapt to change and embrace new opportunities. A mapping of employees that have real potential to grow will help develop digital transformation effectively and boost engagement. Essentially, what technology will do is help the workforce become more efficient as a whole and support employees in becoming smarter in their roles.

**In conclusion**

CFOs must deliver on the promise of technology, taking into account the critical human factors. High technology also requires high touch – a level of human interaction. While automation will signify the end of some process-related jobs, it demands new skills as disruptive technologies arise.

People will be needed to implement, maintain and manage these new automated processes. To sustain levels of trust, CFOs will have to continually engage with employees and offer talent development to upskill their workforce.

While automation will signify the end of some process-related jobs, it demands new skills as disruptive technologies arise.
No longer simply an adjunct to the business in smoothing and simplifying its processes, today the technology department is an integral and central component of almost all business operations, one that is essential to fulfilling the organisation’s core mission.

As digitalisation extends into all corners of the organisation, how is this move changing the principles and practice of executive leadership? Could digitalisation affect the dynamics of the boardroom?

A transitional phase

A natural outcome of technology’s growing importance is the rise to prominence of the technology leader. Digital natives – those brought up with information technology from birth – are starting to take centre stage, with the corporate spotlight moving away from digital immigrants – those who were born before the widespread use of information technology.

The current transitional phase creates an important ‘breathing space’ in which to bridge the gap between the natives and the immigrants. It gives digital natives the opportunity to learn lessons from the leaders who preceded them.
An evolving model of technology leadership

Marinka de Groot, Associate Director and Technology Practice Leader for Page Executive in Europe, says that the digital era is changing what it means to be a leader: “The changes go far beyond the small differences that have always existed between leaders in different sectors. The rise of new skills, a new language and new processes has brought greater diversity in leadership, which in turn fuels innovation. There is certainly more creativity involved.”

As the rise of new technology has propelled the technology leader into the foreground, one question arises: Which is driving innovation – the technology or technology leaders themselves?

Technology becoming second nature for all senior leaders

CEOs nowadays are more likely to be comfortable with technology and to have an understanding of the technological landscape that far exceeds their predecessors’.

Applying and exploiting technology are second nature for many executive leaders in business today.

Marinka explains, “Development times contract as people understand the technology more natively. Where long-term planning used to be the norm, it’s more common now for technology leaders to be agile and focused on the shorter term.”

Traditionally, the company’s CEO, CMO or CFO would oversee decisions and strategic direction. But, as Marinka notes, a shift is happening: “We are seeing more and more CTOs appearing in boardrooms and the role has become a necessary component of executive-level positions in business.”

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She adds, “We’re also seeing more recruitment requests for CIOs [chief information officers] and CDOs [chief digital officers]. This is further evidence of the critical importance of technology to the fabric of the business. It has changed the dynamics of the boardroom and pulled business into the twenty-first century.”

Adapt to survive

Companies must now move swiftly to place technology at the core of their business if they intend to succeed in what we call the digital era, and which is becoming simply the way that professionals and businesses operate.
Technology is now entrenched in day-to-day living; witness the rise of smart technology and the spread of automation into every corner of our lives. With an internet connection often the only investment needed to realise a business idea, entrepreneurs are starting young, while they’re at university or even earlier. So technology leaders don’t necessarily come with decades of experience. It is no surprise that the founders of Facebook and Groupon, now billionaires, were in their 20s when they created their respective companies.

These digital natives par excellence have a profound knowledge of technology because they learnt the skills as children. They know what it means to work in a digital organisation. They use agile methodologies, such as SCRUM. Their unique perspective and distinctive knowledge in many ways compensate for their comparative lack of experience.

The time to develop and test a digital product is infinitely shorter, compared with a tangible product.

Accelerating time to market

Increasing reliance on technology brings increasing dependence on technology leaders to drive the industry in the right direction. But what is the effect of this?

These technology leaders move at unprecedented speeds. The time to develop and test a digital product is infinitely shorter, compared with a tangible product. Entrepreneurs can develop a digital product, test it and found their own company to sell it within months.

As a result the Marketing and Technology functions are working more closely together than ever before. The chief digital officer, another prominent role in technology, now typically unites technology skills with marketing expertise.

In conclusion

It used to be the case that technology took a backseat. Now, with the pervasive application of digitalisation, it has become the driving force for innovation and change. As a consequence, technology leaders are moulding the executive level of business.

Banks, retail, pharmaceuticals...businesses in all sectors now have technology at their core. This pervasiveness of technology and the importance of the technology team and its leader mean that companies have to reinvent themselves. Traditional business models are no longer sustainable in a world where everything is digital.

KEY TAKEAWAYS

- Technology leaders are more creative than ever, finding new ways to drive innovation and efficiency
- The chief technology officer could potentially overtake the CEO in importance
- Digitalisation is everywhere and technology leaders are at the helm in moving the organisation forward at unprecedented speed
Thanks to digital innovation, multinationals in the healthcare industry are now able to reach out to the world’s 4 billion poorest citizens.

To follow in the footsteps of pioneers who are ahead in serving this largely untapped market, business leaders will have to discard the accepted concepts of marketing, distribution and finance and develop an empathetic understanding of the needs of disadvantaged communities.

Over 200 million people in India, many of them living in slums and rural areas, are in need of eye care. Although most of their afflictions could be easily treated, many lose their sight because they cannot afford healthcare.

The Indian clinic Aravind Eye Care found a way to address this problem. It is able to perform corrective surgery for as little as 50 US dollars per patient. Via high-speed wireless video-conferencing, doctors can consult with hundreds of rural patients per day. The clinic is one of the most successful examples of companies that develop products and services for the poor, with the help of new technologies.

A vast, untapped market

Inspired by the books of influential business strategists C.K. Prahalad and Stuart L. Hart, many multinationals are now trying to reach out to low-income groups. And not only out of a sense of social responsibility. People
People with an annual income of less than 1,500 US dollars represent a huge potential market: approximately 60% of the world’s population.

As Jeffrey Immelt, CEO of General Electric, puts it, “If we don’t come up with innovations in poor countries and take them global, new competitors in the developing world will.”

Seeking the golden formula

But it’s easier said than done. To reach the poorest citizens companies cannot solely rely on digital innovation. They completely need to reinvent their business model. Everything companies know about innovation, supply chain, finance and marketing strategy simply doesn’t work with consumers at the so-called ‘bottom of the economic pyramid’ (BoP).

What’s more, moving into this market will have a huge impact on corporate HR policy and on what’s expected of their executives. It is a leap of faith, without any golden formula to apply.

Reinventing traditional business models

Here Aravind Eye Care can serve as exemplar. The founder of the clinic, Indian ophthalmologist Dr Govindappa Venkataswamy, came up with a complete new approach to organising a healthcare clinic. Inspired by McDonald’s, he similarly organised the whole process into an assembly line, where an individual is trained to perform one particular task. It became such a success that today the clinic has franchises all over the world.

It’s no accident that it was a small organisation that devised such a revolutionary model, which is a typical example of ‘disruptive innovation’ – a term coined by Harvard business professor Clayton Christensen.

According to Christensen, large corporations are by default less likely to be disruptive, for the simple reason that they want to avoid risk. The careers and rewards of executives depend on the revenue they make: why invest time and resources in a low margin or uncertain project if they can secure growth by servicing an already developed market?

How to change the mindset of executives

It’s this precisely this mindset that prevents many products and services for low income groups from getting off the starting-blocks, argued C.K. Prahalad in the Harvard Business Review: “The biggest change has to
come in the attitudes and practices of executives. The traditional workforce is so rigidly conditioned to operate in higher margin markets that, without formal training, it is unlikely to see the vast potential of the BoP market.”

He stressed the importance of educating young managers by having them spend some formative years in BoP markets to observe the opportunities. Only if every leader in the business, from managers on the ground up to the CEO, is on board is there a chance of project success. This is because coordination between different company levels and departments becomes viable only if a new initiative aligns with the organisation’s value, processes and routines.

Unfortunately, many projects are executed by a single, albeit committed, group of individuals, in isolation from the rest of the organisation.

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Using technology smartly

Unilever is one of the few large corporations that does take its mission in the BoP market seriously. Its Indian subsidiary, Hindustan Lever, has a programme for managers at all levels, including the CEO, to connect with impoverished customers, visiting outlets and talking to customers about their experience of Unilever products.

It was during those sessions that they discovered that marketing in a BoP market requires a fresh approach. To create a reliable infrastructure to distribute its goods to the consumer, Hindustan Lever uses wireless technology. Local entrepreneurs, usually women, are trained in basic IT skills and equipped with a smartphone. The phone is enabled with a mini enterprise resource package that helps them to run their business efficiently. On top of that, they receive basic courses in accounting, selling and health.
Marketing for the community

The marketing communications approach was also adjusted. Rather than targeting the message to the individual, as would normally happen, in poor areas the whole community must be addressed, because every penny spent unwisely by one person affects the extended family.

So when Hindustan Lever launched its Lifebuoy soap, it first had to convince its customers of the importance of good hygiene. It started educating children and their parents about the many diseases that can be avoided through regular handwashing.

Rethinking payment models

But even when a company like Hindustan Lever finds its way to the customer and local entrepreneurs, it faces another major challenge: the lack of financial infrastructure in poor areas. With no banking system, shop owners cannot obtain a loan to pay for large quantities of product upfront.

Microcredit has an important role to play here. It was the Grameen Bank that put this finance system for the poorest citizens on the map. Grameen is a Nobel Peace Prize-winning microfinance organisation and community development bank, founded in Bangladesh in the 1980s.

Today, microcredit is used by almost all companies operating in BoP markets. By providing local business owners not only with a loan, but also with basic training, Hindustan Lever takes the concept of microcredit one step further.

A rewarding journey

The road to success in BoP markets can be long and tortuous. However, the rewards are great. Doing business in rural areas and slums requires creativity, not least when it comes to reducing operational costs and finding better distribution systems. However, once in place, these new strategies can also be applied to other markets.

The same goes for the product or service itself: once it’s successfully introduced for the lowest income groups in developing countries, it quickly moves its way up in the market.

In conclusion

In developed countries, there are huge groups of consumers living on a minimum income, looking for affordable products. With the help from digital innovation, this under-served market can be opened up.

Companies can apply the lessons already learnt by pioneers in BoP markets. However, success depends on a readiness to change the corporate mindset and a willingness to invest, before they can recoup the benefits. And that can take years.
The rapid growth of technology has led to advances in the supply chain and, in particular, the digital supply chain. As the century unfolds, we are seeing a more joined up supply chain, with efficient, robust and technologically advanced systems integration.

Here, we explore the benefits that digitalisation, bolstered by smart usage of big data and data analytics, is bringing to the supply chain in terms of increased profitability and reduced waste.

The supply chain exists to streamline the processes involved in procurement and as a way of increasing efficiencies business-wide. Not only will efficiency remain at the heart of the supply chain, but with digitalisation enabling high levels of connectivity, we’ll see greater transparency and collaboration across different departments.

In addition to ensuring the security of valuable information assets, companies also have the challenge of achieving an appropriate level of sustainability, while pioneering and advancing the digital supply chain overall.

In looking at supply chain management as it currently stands, Page Executive identified five trends:

**Digitalisation will drive increased efficiency**

Supply chain managers who are willing to invest would be wise to look at IT integration, an area where 70% of managers are planning significant investment with the rise of newer technologies and a drive to modernisation.
This investment will create jobs and assist the faster adoption of web-based processes in the supply chain. An example is real-time technology, where customers and employees can be confident that stock levels displayed on their screens reflect reality in the warehouse at any given time.

With this greater supply chain visibility, managers can now monitor how different processes are performing at any time, from sales to logistics, leading to better informed inter-departmental transactions.

**Big data analytics will improve profitability and save time**

Big data and predictive analytics will provide networks with greater data accuracy, clarity and the ability to work cohesively in order to achieve improved contextual intelligence over various individual networks.

One such example is forecasting demand: retailers in Russia found that book sales went up in cold weather. Some online booksellers such as Özun, therefore, increased the number of book recommendations whenever the temperature dropped.

Outstanding accuracy and the ability to react at speed will prove useful where business models are based on short product lifecycles. As Accenture found, 36% of companies agree on the need for greater IT integration across the supply chain as mentioned above, but 41% of companies said big data meant faster and more effective reaction time to supply chain issues (source: Global Operations Megatrends Study on Big Data in Supply Chain).

The proliferation of the Internet of Things (IoT) will mean greater interconnectivity and sophistication leading to intelligent algorithms. To further enhance supply chain performance, these algorithms will ‘learn’ human planning behaviours and be able to predict the decisions that will need to be made.

**Mobility will become the norm**

As the power of big data is applied to increasing efficiency and saving time, mobility will become standard. Infrastructure improvements will continue to advance supply chain workflows. Supply chain managers will be released from their desktops and laptops as they switch to mobile devices and tablets.

Supply chain updating in real time requires managers and their teams to have easy access to core systems. In order to achieve true mobility, companies and managers alike must understand the importance of IT integration and ensure they hire people with specialised knowledge in the area, with a particular emphasis on security.
In collaboration with their mobile business solution providers, supply chain managers will need to determine which functions and processes are prime candidates for mobilisation.

With many companies and supply chain managers still reliant on older systems, the transformation to mobile working will take time to implement. There is likely to be an incremental cost, too, as managers undergo training and budgets are reassessed.

There will be a shift in hiring talent

As technology continues to advance, the type of talent being hired will change as skill gaps become apparent. Traditional training methods will no longer be relevant, creating demand for new training methods and new roles to be filled.

For managers, this change will mean seeking out people who are comfortable with modern systems, with a knowledge of big data and deep analytics and experience with new technologies.

Soft skills are equally important given the degree of adaptability required. Skills such as agility and being a fast learner are essential for businesses adopting change and they will look for talent with these skills in the future. The challenge will be finding that talent.

While globalisation has widened the pool of talent, frequent technological change creates a need for highly specialised skills.

"While globalisation has widened the pool of talent, frequent technological change creates a need for highly specialised skills."
We’ll start to take drones seriously

Drone technology is still in its infancy. However, many large corporations are testing drone technology and starting to take it seriously. The prospect of reducing their environmental impact, lowering costs and accelerating the supply chain has great appeal. This revolution will create new positions and trigger the search for newer, more diverse talent.

Big players like Amazon, which recently partnered with the British government to test small delivery drones, have been pioneers in this arena over the last year. Nevertheless, there is huge untapped potential to use drones in warehouses to pick and move products.

Using drones to deliver products to the consumer is still a long way off. However, as capabilities improve daily (for example, better battery life and smart technology), drones are becoming a more commercially feasible option. It is reassuring that companies like UPS are testing drones for the emergency delivery of medical supplies.

In conclusion

With its ability to cut costs and timescales, digitalisation is the answer to many supply chain pain points. Digitalisation will invariably heighten efficiency as systems are updated and integrated, making life easier for everyone involved in the supply chain.

But the most exciting development will be drones. While far from perfect, drones open our eyes to new possibilities and the direction that whole industries from retail to manufacturing might take. A wave of new talent will need to be hired to understand and execute these changes and bring supply chain management into 2017.
Just as steam power fuelled the first industrial revolution, electricity the second and computers the third, the Internet of Things will drive and enable the fourth: Industry 4.0. The smart factories of Industry 4.0 will boost production and revenues. But they will also present huge challenges to those who manage them.

How should business leaders prepare their teams for the next industrial revolution? CIOs will lead the way, making it time for them to step into the spotlight.

Tailor-made shoes for all consumers: that’s the Adidas vision of the future. And they’re not the only ones. All manufacturers expect that in the next 10 years or so, custom-made products – from mobile phones, to cars and household goods – will be cheap and mass-produced. It has everything to do with the next industrial revolution: the transition to Industry 4.0.

Industry 4.0 will allow manufacturers to connect all machines, products and services to a single, central wireless network. Machines will communicate, for example, their status and any parts needing to be replaced. Products will share information, for instance about the required colour or size.

Since all information can be made available over the internet, customers and suppliers could potentially gain direct access to the machines. That would mean that customers could upload their own specification directly into the system.
Conversely, manufacturers will have access to the data of their clients. “This will enable them to target the specific personal needs of a customer, before or he or she even asks for it,” explains Moritz von Schaumann-Werder, Associate Director at Page Executive. “Imagine passing by somewhere and seeing an advertisement made for you personally. Thanks to industry 4.0, that will be possible.”

**Challenges lie ahead**

Experts predict that the impact of these smart factories will be huge. According to a study by the research centre Frauenhofer, in Germany alone industry can already expect to see a profit of 78 billion euros in the next ten years.

“The new technology will relentlessly speed up the manufacturing process, until we reach the absolute limit,” says Moritz von Schaumann-Werder. “A German truck manufacturer is already able to deliver a customised trailer within 18 hours. And we’ve not hit the peak yet.”

But the new revolution is not without significant challenges. As the World Economic Forum predicts, by 2020, a third of skill sets will comprise skills that are not currently considered crucial to the job.

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*The World Economic Forum*

**Upskilling the workforce**

How can leaders in manufacturing prepare their company and staff for this new technological revolution?

“Businesses will have to upskill their workforce,” says Moritz von Schaumann-Werder. “To give an example: a life science multinational was recently looking for a legal expert, who also had the skills and knowledge to set up and maintain a database, to align global legal issues. It shows how a knowledge of IT is crucial, regardless of your actual job title and role.”

A knowledge of IT is crucial, regardless of your actual job title and role.

*Moritz von Schaumann-Werder, Associate Director, Page Executive*
Research centre Gartner comes to the same conclusion. Companies surveyed by Gartner ranked big data analytics and process management as the most important areas of expertise for faster digital business adaptation.

Complex problem solving and critical thinking are typical of the general competences that will help organisations to adapt quickly to the changes ahead. “Database analysts are a good example,” says Moritz von Schaumann-Werder. “They need to evolve into data scientists who can take data and transform it into truly useful information.”

**Working on a project basis**

But managing all adaptations of digital technology in-house will simply be too expensive and time-consuming. That’s why companies need to rethink their human resource models. To be able to quickly upscale IT resources, business will have to hire more specialists on a project basis.

“Companies will focus more on service management, and outsource the purely technical roles,” thinks Moritz von Schaumann-Werder, adding, “Already you have businesses that specialise in collecting data.”

Highly skilled IT specialists are in short supply, and as the fourth industrial revolution proceeds, the demand will only increase. To maintain their competitive advantage, companies are therefore advised to develop their talent pool, one which is preferably international.

**Key challenges for company executives**

The digital era is also expected to affect the roles and competences of managers. A study by the Institute for Leadership Culture in the Digital Age showed that most business leaders expect teamwork to become more important. Furthermore, customer ideas will play a more important role in product development, according to 80% of the managers surveyed, while 79% foresee that partner networks will become increasingly important.

This last point – forging partner networks – creates one of the key challenges for company executives: to take full advantage of the possibilities of smart factories, businesses will have to collaborate in information-sharing clusters.
To take full advantage of the possibilities of smart factories, businesses will have to collaborate in information-sharing clusters.

The high-tech company ASML already asks all its suppliers to share data flows. The advantage is obvious: with access to one another’s data, companies can optimise the production and supply chain process. But although many are in favour of greater cooperation, there is a lot of debate on just how much information they should share in practice.

On top of this, there is a practical problem to resolve: not all companies use the same systems and formats for storing and exchanging data. What does a company do when its customers or partners all use their own format? It’s up to business leaders, especially of the bigger companies, to set standards that everyone can work with. The technology to tackle this problem has already been developed.

The growing importance of the CIO

Will this new technological shift also lead to a revolution in the boardroom? According to a recent report by McKinsey & Company, the role of CIO will become increasingly important.

Digital strategist and Financial Times columnist Ade McCormack agrees: “It’s a great opportunity for CIOs to move centre stage,” he writes in CIO magazine. But in order to so, he argues, CIOs will have to cultivate and apply their knowledge: “Most CIOs are sitting on a data oil field. It’s time to start drilling and develop their data-refining skills.”

In conclusion

Enabling the ‘extended enterprise’ of customers and partners to exchange information for greater collaboration will undoubtedly involve pain, but it is essential to delivering the vision of the next industrial revolution: Industry 4.0.

The future of a company will depend on constant widescale adaptation of its digital infrastructure. In some cases, companies will even need to disrupt their own business model, before a competitor does it for them. To address all the challenges that lie ahead, the CEO and the CFO will need to work closely together with the CIO to develop the business strategy.
The world of investment is one that continues to change, and the digital era has accelerated the pace of change. Growth is essential when weighing up the value of a company and digitalising essential business processes facilitates this.

Not only does digitalisation allow for quicker adoption, streamlined change and effectiveness in general, it provides insights and more thorough analysis to help determine ROI for set areas within a business, giving companies the ability to react and reinvest accordingly.

Why investment firms need transformational digital leaders

Investment firms need leaders who add value by assessing the degree of digitalisation of a company and those who fully understand and embrace this are in a position to make better assessments.

Digital enables rapid change for greater gains and full development across multiple business areas. There is also more transparency and competition – which can be perceived both positively or negatively.

In private equity, this is a different way of working in comparison to previous models and strategies in optimising portfolios. Leaders need to fully embrace this in order to make better assessments.
How has digitalisation forged a new line of questioning?

Previously, private equity companies would typically acquire a business with the intent of growing it before going on to acquire another, to eventually merge the two and add incremental value to both.

For this strategy to be successful, efficiency becomes a focus to facilitate better operating practices. Today, working digitally is very much at the heart of such efficiency. Among other efficiencies, it helps companies to identify gains and losses and to collaborate more effectively internally and externally. It is scalable, fast and works across the whole business: operations, supply chain, sales marketing and more.

When assessing a company, it is now important to ask questions such as:

- How has digital impacted the industry?
- What value does digital bring?
- What functions have been digitalised to date?
- Does the company have a digital vision and organisation, including a chief digital officer or equivalent?

The need for a cool head in a fast-moving world

From the Michael Page Retail Study, it is clear that the consumer market has experienced a rise in companies implementing an omni-channel approach to their business.

Increasingly, retailers link traditional modes of retailing such as a physical store to a 24/7 global online presence, via digital channels, chat bots and social media.

Such strategies, with their direct impact on supply chain and logistics, marketing, HR and sales, require a clear vision from a leader with a digital mindset.

If we look at Amazon’s latest cashier-less grocery store in Seattle, where purchases are automatically billed to customers’ accounts, we can see that there is no slowing down. Instead, innovative concepts and models will continue to spearhead business change.

It is therefore important that private equity managers understand such innovation and that companies identify the potential for innovation through digitalisation within their existing portfolio and planned acquisitions. Companies must have the right skills and experience behind the decision making process to effect intelligent strategic change.

Miguel Portillo Executive Director at Page Executive, comments, “Companies have the power to change key roles in the businesses they control. Indeed, it is essential they implement such change to stay ahead of the curve.”
The importance of leaders embracing a digital strategy

A vision and a strategy are essential to pinpoint the key areas within the business where digital can be best embraced and to outline how this will impact the business in the future.

If there are digital roles within a department, it may make sense to employ a head of digital. It will depend on the objectives and, ultimately, what the specific hire is expected to achieve in the way of business growth.

Max Eweg, Associate Director at Page Executive and responsible for CFO practice and Financial Services, observes, “Sometimes we find that there is a matrix situation where the decision maker is unclear. The CFO reports into the CEO and then there is the investor, who is also a key stakeholder, next to the CEO. But are all these leaders fully aware of what digital transformation can bring in terms of investment and do they have a shared cross-functional digital vision?”

Private equity companies need digital strategists with the ability to understand, conceptualise and direct tactical implementation of an overall strategy.

The global picture

Looking around the world, it is clear to see regional differences. Wenda Keijzer, Senior Associate at Page Executive Netherlands and responsible for the Consumer practice and aspects of Digital, explains, “The Chinese are far ahead on digitalisation, even in traditional markets such as insurance. They think of digital in terms of opportunities and partnerships. They are fast decision makers and able to innovate at speed. Their market is also very different compared to Europe with a mind-blowing mobile-only population and the use of WeChat as not just a messaging app but as a portal and platform.”

Regarding digitalisation as an opportunity is inherent within Chinese business culture. This model and mindset are very different from European attitudes and practices.

In conclusion

The nature of profitability and what constitutes success in the 21st century is changing. Understanding the relevancy, level of innovation and core behaviours in addition to skill set and core competencies is essential. Aligned with best practice, this will help to drive a more profitable business in a digital age.

In assessing the health of a new or existing business, corporate value is no longer based solely on traditional measures such as bricks and mortar assets, plant, inventory and deals in the pipeline. ‘Due diligence’ is now also needed on how far the business has advanced on its digital journey and its future potential for digitalisation.
With clients becoming more demanding and competition increasing, professional services firms need to look for a new pricing strategy.

Instead of billing by the hour, more and more services organisation are working to a fixed fee. But to stay within budget, they require a new skill set and digitalised processes.

The professional services industry has changed dramatically in recent years, partly due to the economic crisis. The number of firms has grown to such an extent that they are now competing in a very homogeneous market, all offering similar services. On top of this, clients are more price-sensitive, have complex service needs and expect shorter delivery timescales combined with higher quality.

To operate in this complicated market and drive up their revenues, professional services providers need to look for new ways to outsmart their competitors and stand out from the crowd.

Deliverable-based offerings

Many firms have started to rethink their pricing strategy. Erzsebet Soos, Business Manager at Page Executive, believes that the large audit firms, such as Deloitte, Ernst & Young and KPMG, are a good example of this new
approach: “Like all firms in the professional services industry, they used to bill their services by the hour. But the pressure on service rates has increased.”

She explains, “For clients, it’s not always easy to see the relationship between the cost of a service and its value. They prefer to know in advance exactly what a certain service will cost them. To meet this demand in the market, professional services firms have to price on a fixed-fee or value-based basis. This trend is happening everywhere in the industry. If one company starts, others need to follow if they want to keep up with the competition.”

A different skillset

There is, however, a danger in offering fixed fees: if the service is not executed efficiently, the offered price might not cover the actual cost of delivering the service, especially as the sales force of professional service providers will try to keep prices in their proposal as low as possible to win the business.

“Business leaders observe the gap between the list and actual prices growing,” writes George Cressman, President of consulting company World Class Pricing, in The Journal of Professional Pricing.

He argues that to overcome this challenge, firms need to invest in the skill set of their people: “Delivering professional services requires great skill in diagnosing customer needs and understanding the relationship between very diverse components of a customer’s business. It requires skill in tailoring a solution to precisely meet a customer’s needs, and communicate that effectively.”

Project management to the fore

One of the skill sets most needed for this new approach is project management. Scope, timing and budget – the basic ingredients of a good project plan – are extremely important to keep the executed service within budget.

Investing in their employees’ project management skills will benefit business leaders in more ways than one way. Clarifying the costs and deliverables upfront not only reduces the perceived financial and outcome risks of the client, it also forces them to understand and communicate what
By including project management in their offering, companies can ask a higher price for their services.

Streamlining operations...

Another important component in a profitable pricing strategy is streamlined and standardised processes. “The big audit firms, for example, have all invested in standard processes and operational systems,” says Page Executive’s Erzsebet Soos. “Partly, that is done by digitalising some processes or services.”

...and digitalising services

By digitalising elements of services, companies can dramatically reduce their costs and improve quality, without creating overhead. “If a consulting firm, for example, wants to double its revenue, it has to double its staff of consultants,” explains professor in business innovation professor Mohanbir Sawhney in the Harvard Business Review. “Contrast that with product companies like Google and Adobe, which don’t have to deal with such cost structures and enjoy gross margins of 60% to 90%.”

Technological innovation can help providers to find a way out of this predicament. There are numerous examples of firms finding smart digital solutions to offer clients better services at a price that competitors can’t match.

CEOs – initiators of change

In order to successfully implement this new business model, the CEO will need to take the lead. Good governance starts at the top: a CEO who makes innovation part of the business strategy, puts their money where their mouth is, initiates programmes, puts the right people in the right places and supports them. Successful innovation requires clear governance and strict management.
The innovation strategy should eventually lead to more streamlined, restructured and restructured operations. Business leaders should, for example:

- Centralise and standardise financial processes to improve profitability reporting
- Build systems and processes to efficiently access resource channels
- Implement initiatives for talent management

A head start for professional services firms

When it comes to implementing new business models, the professional services industry has a number of advantages compared to certain other industries. By their very nature, professional services companies are more open to change and fresh thinking than other businesses. They have a highly educated workforce, which is more likely think innovatively and embrace new ideas.

By their very nature, professional service companies are more open to change and fresh thinking.

Providers collaborate closely with their clients, so they know what it takes to be successful. On top of that, the industry has a high level of diversity. “In that sense, professional services are ahead of other industries, especially when it comes to the participation of women,” says Erzsebet Soos. “Long before diversity became a hot topic, the female voice was already well represented in the industry.”

The benefits of a diverse workforce, especially regarding change and innovation, cannot be overstated. A good project team should be as diverse as possible. The more diversity in the team’s background and interests, the easier it is for new ideas to thrive. There’s no bigger threat to innovation and change than a team where everyone agrees and likes things just the way they are!

In conclusion

Faced with the challenge of offering fixed-priced services competitively yet profitably, CEOs need to lead the way in digitalising and streamlining their firm’s processes.

Professional services providers should look for opportunities to deploy digitalisation wherever possible to track the client’s interactions with the firm, diagnose their present needs, and cut time-consuming manual processes out of service delivery. Tight project management and cost control have become essential to running a profitable business.

KEY TAKEAWAYS

- Professional services providers are replacing billing by the hour with fixed-fee offerings
- Firms need to ensure that the agreed price covers their actual costs
- Project management skills are critical to tight cost control in this new business model
Today organisations are being shaken by differences between the X, Y and Z generations and by the need to adapt to ‘digital natives’, those who have grown up in an online world.

But even this generational shift could be just one element in the wide-scale change that has to take place within organisations intent on retaining their leadership position.

What can larger organisations learn from start-ups?

The 21st century organisation is characterised by its response to advances in technology and the way in which digitalisation creates business value by shortening decision cycles and enabling the client or customer to be placed right at the heart of the organisation. It’s all about staying competitive and thriving in an operating environment that demands greater agility in adapting rapidly to change.

This applies as much to start-ups and small and medium enterprises as to large global organisations. Indeed, nimble start-ups are natural players in a dynamic economy, and they are nipping at the heels of larger organisations that are slower to adapt.
Nimble start-ups are nipping at the heels of larger organisations that are slower to adapt.

The boards of large organisations recognise the risks of losing out to their more agile competitors and the inherent danger of becoming too dependent on revenue streams that may one day dry up. The most critical question of digital transformation is how to evolve into an organisation that enables change, fuels growth and thrives in a climate of uncertainty.

Much corporate restructuring is about creating business units or profit centres that aim to respond to changing market conditions quickly, with shorter decision cycles, in order to stay attuned to market requirements.

Small and medium enterprises – the new benchmark

In markets where being agile nets great rewards, small and medium enterprises often show themselves to be the most able to react quickly to create new value. Their operating model has qualities that larger organisations could usefully adopt when rethinking their business models.

Small and medium enterprises can also give leaders and managers greater freedom to put their entrepreneurial flair into action than is often the case in larger organisations.

The downside is that the risk of failure may be heightened in smaller enterprises, as they lack the financial resources of their larger rivals.

Flattening the pyramid

The convergence towards a flatter, more collaborative, more project-led structure is a leading characteristic of tomorrow’s organisation. It’s an evolution that has the power to influence managerial and cultural change far beyond the generational differences mentioned at the start of this article.

Digitalisation and new technology are bringing about the end of the 20th century organisational model. This transformation is all about a change in the decision structure.

The previous business models and command process came in the following order:

Order → Command Chain → Control → Planning

New business models may look more like this:

Conceive → Initiate → Collaborate → Project → Engage → All centred on the customer

The leader’s role is to create the vision that will give the business shape and direction. Their responsibility is then increasingly focused on promoting interactions that put the client or customer at the centre of the organisation, as well as engaging staff and encouraging them to become self-directing.
The convergence towards a flatter, more collaborative, more project-led structure is a leading characteristic of tomorrow’s organisation.

Such new models, typical among SMEs, can be the engine of executive and managerial aspirations. As such, re-working the larger organisation into a collective of networked SMEs can represent an opportunity to create an agile ecosystem and provide a fresh approach to today’s challenges.

This ‘extended enterprise’ can take on the features of a start-up to enable agility, while capitalising on its own size and relationships with partners and suppliers.

Recruiting executive talent – breaking the mould

Until now, organisations of all kinds have sought to hire executives with the same academic and career background. But those days have gone. To find executive talent with entrepreneurial skills requires a new approach to recruitment, using more diversified channels.

Successful recruitment is no longer just about assessing hard skills and judging the strategic competencies of executive talent. It is worth bearing in mind that according to a number of recent reports, up to 50% of today’s known jobs won’t exist by 2025 as a result of further automation and with digitalisation revolutionising the way business is conducted. A candidate’s hard skills may soon be almost irrelevant.

Instead, the recruitment process should explore candidates’ readiness to join entrepreneurial projects and their ability to drive the vision.

The true question for in-company executive recruiters is whether they themselves are able accurately to assess a candidate’s expertise in adding new value beyond traditional models and focusing actions and behaviour on the end customer.

The recruitment process should explore candidates’ readiness to join entrepreneurial projects and their ability to drive the vision.

In conclusion

In today’s world, it’s “adapt to survive” and this makes it timely to re-think the organisational vision.

In recruiting a new breed of leaders, what matters more than traditional competencies going forward is a passion for leading change and an ambition to be the one who writes the next chapter of the organisation.

KEY TAKEAWAYS

- Smaller businesses are often faster on their feet than larger organisations and able to adapt better to changing market conditions
- Large corporates have much to learn from the way SMEs structure their business for agility
- Recruiters need to assess not only candidates’ traditional competencies but their entrepreneurial spirit and skill in driving change
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