



## DISRUPTING THE STATUS QUO

### *How Indian Companies Are Responding to Digital*

- Within 10 years, digital technology will be as commonplace as electricity — no longer a choice, but a fundamental business requirement. In the past few years alone, digital marketing has advanced from passive website banner ads and impersonal email blasts to tailor-made interactive campaigns that are location- and preference-specific and leverage multiple communication platforms. Meanwhile, the rapid adoption of and growth in smartphones combined with consumers' seemingly endless enthusiasm for mobile technology continues to redefine the way businesses relate to and engage with their customers. As digital continues to evolve, so must the companies that wish to seize the technology's full potential. Spencer Stuart recently convened chief executive officers and chief marketing officers from across India in forums in Mumbai and Bangalore to discuss how Indian businesses are responding — or should be responding — to digital's disruption of the status quo. The leaders shared lessons learned from their companies' own digital journeys and their perspectives on how business models, organizational cultures and approaches to talent need to shift in this era of rapid change and opportunity.

## A fast-paced environment demands a defined digital agenda

“The rate of change has been so dramatic over the last 15 to 20 years — what is now an everyday part of our lives didn’t exist five years ago,” said the chief people officer at a leading e-commerce retailer in India. “Just think about it: We’re operating in a space where the majority of what’s going to happen is yet to be discovered. If you can keep focusing your attention on experimenting, trying, learning and make rapid reiterations, you’re going to be much better off.”

In this rapidly changing environment, conventional businesses face an uphill battle against “digital-born” companies in which social media, e-commerce and other digital technologies are ingrained in their DNA. Fearful of falling behind, some businesses leap into digital with little sense of direction or purpose and, as a result, set themselves up for failure. To succeed, organizations need a clearly defined digital agenda that is closely aligned with their business goals, which is easier said than done.

According to the senior leaders we spoke with, many CEOs are unclear as to what digital means for their specific organizations. Further complicating matters, the definition of “digital” often varies from organization to organization and, at times, even within the same organization.

“It’s not so straightforward,” one panelist said. “There’s one entire body of digital work that’s centered on new customers and how you engage them. Then there’s the existing customers’ stream of work, and that’s where all the big data and analytics come in. Both of these fronts are rapidly expanding, and they’re very different from each other. To characterize in broad strokes how we’re trying to organize, it’s really those two pieces.” Rather than simply adopting the latest technology, organizations first need to start with strategy: What business problem needs to be solved and how can digital be leveraged as part of the solution?

Undefined goals can lead organizations to chase irrelevant metrics rather than focusing on the business value that can be achieved through digital, according to one panelist. “About five years back, we had a separate digital marketing team, and we got off to a very good start: we had the largest number of Facebook ‘likes’ in our space,” he said. “This was

the only metric we used to talk about internally, and we used to feel very good about it. But the business team started pushing back, saying ‘OK, that looks great, you’ve got those zillions of Facebook likes, but what does that mean to me? How do I generate that into business? How do I monetize that?’ Then the whole thing started crumbling, and we really struggled with that.” Metrics need to not only focus on specific channels of social media, but should also account for more complex, multichannel strategies as digital will likely become even more instrumental in engaging with customers in the years ahead.

## Embracing experimentation and inspiring a culture of innovation

To meet the goals of their digital agendas, many businesses find themselves needing to transform their organizational structures and culture. “The ability for us to change things literally lies in our ability to imagine it,” added another panelist. “If you’re only looking at making marginal changes to the things you’re doing, then you’re not really imagining it.”

One senior executive who is a physician by training equated digital with human anatomy, stating that much like an event that occurs in the nervous system has an impact on other internal systems, a digital action that takes place in one department of a business will affect the entire organization and its structure. “I think we still have a long way to go to become as sophisticated as a human being, because if I think of what a human nervous system can do, even the most sophisticated organization cannot,” he said. “There are a lot of things we can learn from what nervous systems do to become smarter.”

With the support of a strong organizational structure and commitment from the top, companies that truly succeed in the digital realm have shifted their cultures from ones of implementation to ones of experimentation and innovation.

### Take enterprise-wide ownership of digital.

For such a full-scale transformation to succeed, there has to be a clear mandate from the top on the importance of digital for the entire organization, as well as commitment from the CEO and board to invest the resources necessary for creating a culture of innovation. This commitment must be championed by the organization’s “owner” of digital;

some companies enter the digital space by either hiring or appointing someone internally to be the designated “digital person,” often without a clear understanding of the company’s digital goals and the ultimate impact on the organization’s strategy.

“For me this is really a no-brainer: Any CMO who chooses to either ignore digital or really not get his act together about digital is living in a fool’s paradise,” said another senior leader. “If he thinks that digital is something that he can delegate to someone else or something that he can outsource, he’s probably going to stop at that CMO level if he has any aspiration.”

### ✓ **Be curious and agile.**

Asked to describe the characteristics of companies in India that they consider to be best-in-class in terms of digital, the executives most often cited innovativeness and inquisitiveness. “If that curiosity is absent, regardless of your change, I think the chance of you being able to disrupt go down phenomenally,” added one panelist.

Along with curiosity, speed and the ability to work within shorter business cycles are essential, said the CEO of a mobile advertising companies. “To be able to serve customer needs, adapt to the local environment and do this in a nimble fashion, I think all of that is what we consider as a best-in-class digital,” he said.

One leader added, “The beautiful thing about digital technology is that it allows you to experiment cheaply. It enables you to use the principles of Darwinism — kill what is not working — very quickly because you have rapid feedback and the ability to almost fly under the radar until you are at a point where it’s a no-brainer.” Companies that are leaders in digital learn and iterate quickly based upon real-time feedback — and are not afraid to walk away from initiatives that do not work. Rather than fear failure, organizations need to look at it as a lesson.

### ✓ **Rethink performance measures and rewards.**

To create a digitally savvy organization and an organization that drives experimentation — even at the risk of short-term failure — the executives agreed that businesses will have to break a few habits, especially in terms of traditional

performance measurement systems that reward leaders for delivering on objectives set well in advance, not developing new innovations.

One chief executive described how a few years ago, his company invested heavily in a complex system to manage performance measurement. With that system, he said employees’ performance was measured and rewarded based on how well they met a specific set of pre-determined goals, stifling innovation and risk-taking in the process. “We threw that system out,” he said. “Today, our performance management system is a blank sheet of paper, and it’s called conversation. This freed up a lot of the managers to have a true and honest conversation with an employee about the things they’re doing well and the things they’re not doing so well. The conversation is actually for the growth of the employee.”

No longer compelled to meet “complex goals that nobody could really understand,” the company’s employees can now experiment with digital without the fear of financial penalty. Individual salary bonuses have been replaced with companywide incentives designed to improve cross-collaboration throughout the company — which ultimately is enabling the organization to deliver a superior customer experience.

At the same time, many of the CEOs and CMOs we spoke with believe organizations should be respectful of — but not confined by — conventional performance metrics and financial benchmarks. Success in the digital realm relies upon the continual pursuit of innovation and the implementation of changes that lead to meaningful and lasting business value.

## **The need for different types of leaders**

The most successful companies in India’s rapidly growing digital space are those led by executives who can be disruptive and inspire innovation, but in a way that respects other parts of the business. As the executives have discovered, digital leaders are scarce and often must be sought outside of their organizations and even outside their industries.

While digital natives tend to be younger than traditional executives, a willingness to learn is more important than age, according to the leaders we spoke with.

One executive said his company has achieved “unprecedented success” in hiring digital leaders who come from entrepreneurial backgrounds: “Actually, I’ve found failed entrepreneurs to be better than successful entrepreneurs. Their level of drive and the desire and the hunger to succeed is just crazy high.”

A senior executive with a leading venture capital fund said his company’s hiring philosophy for digital is not dictated by the need for specific skills, but the ability to enhance the organization. “The person we’re looking at hiring for a particular function must bring value to that function, something more than we already have,” he said. “That can be curiosity, fresh ideas or even a good attitude.” Additionally, companies are seeking digital leaders with a willingness to take risks, fail fast and experiment.

Given the scarcity of digital talent, companies cannot afford to rule out candidates from outside their respective industries, said one panelist. “You can’t be inflexible and you have to hire for the right skills and the right mindset and not just for the industry,” he said. “So, somebody who comes in with a digital mindset, you can quickly teach them your industry.”

Some Indian companies are deliberately seeking change agents as they ramp up their digital efforts.

“If you bring in someone new and dramatically different, it’s because you’ve made the conscious choice to challenge the status quo and want to bring in certain changes in the culture,” said one executive.

Because challenging the norm and bringing on different types of leaders can make existing employees feel threatened, senior executives must be ready to encounter resistance in the workforce and understand how to overcome it. To help the organization through what can be a difficult phase of change, leaders need to rally their organizations by articulating clear and inspiring business objectives — and communicating the important role everyone plays in delivering on the digital vision. Breaking down silos and promoting cross-collaboration should be top priorities.

“If you put the onus of building the entire thing — from the idea, to the technical solution, to the business plan, to the right team selection, to execution — on one individual, they will never succeed,” said another senior leader. “But if you bring the right group of people together and, more importantly, allow a platform where they can find each other inside your company, then you can quickly bootstrap on their ideas.”

## The digital journey

A successful digital journey is not an easy one. It requires a carefully considered digital agenda, an understanding of how digital can drive business growth and a willingness to take risks in order to achieve that growth. In the digital space, the most effective companies are those in which experimentation and innovation are inspired by forward-thinking leadership, embraced throughout the organization and ingrained in every aspect of the business.

## About the authors

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