



Connectivity Leadership

How the auto industry can secure the right blend of talent to succeed in the era of the connected car

SpencerStuart



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Introduction

Connectivity promises to radically change the competitive boundaries and business models of the automotive industry. To survive, let alone succeed, in this highly disruptive environment, traditional automotive businesses will have to find ways to transform themselves and secure new profit streams or watch from the sidelines as more agile organizations wrest the initiative away from them.

Succeeding in the world of the “connected car” will require exceptional leadership. Senior industry executives are confronting multiple, complex challenges and there is little room for error as they seek the right strategic path. One of the chief measures of their success will be their ability to attract, retain, develop and integrate the best people from inside and outside the traditional automotive talent pool. The industry may be all about the machines, but in this rapidly changing environment it is the right people — outstanding, innovative leaders — who will make the difference between success and failure.

Alongside developments in advanced driver assistance systems and autonomous driving technology, the connected car has the potential to reshape the entire automotive industry. The race is on between OEMs and their suppliers for ascendancy in the new Internet of Things (IoT) ecosystem.

In the report that follows we explore how OEMs, suppliers and the new players in the IoT ecosystem can address their talent and leadership needs in the most effective way.

Our recommendations arise out of discussions with leading executives from the automotive, consumer electronics, IT, and telecom industries about the strategic priorities and talent management challenges they face in the era of the connected car. We examined the backgrounds, aspirations and compensation of more than 500 senior-level executives in the automotive and connectivity arena and have identified the capabilities and experiences senior leaders need to possess today in order to address the connectivity challenge.



Executive summary

The connected car is transforming the automotive industry, attracting new players and disrupting long-established business models. We believe that leadership talent is at a premium and that a relatively small number of players will decide the outcome of the connectivity race in the automotive industry.

Our research indicates that one-third of automotive companies underestimate the extent of the challenge they are facing and are unprepared, especially from a talent and leadership perspective. Lasting competitive advantage will belong to those businesses which invest in identifying, developing, acquiring and integrating the best talent available, both inside and outside the organization — from software engineers all the way up to the CIO and CMO.

Boards and executive teams will have to make it their priority to adapt to the challenges precipitated by the connected car and to ensure that their organizations are structured to succeed in this new world, both in terms of talent management and in their ability to build new partnerships.

The connected car requires a better and deeper collaboration between the automotive, IT, telecoms and consumer electronics industries. One of the key challenges for consumer electronics and automotive companies is how to marry their different cultures and styles to make such collaboration possible.

Many companies in the automotive industry are facing a triple dilemma. First, they do not have a clear idea about what critical capabilities senior leaders need to possess in order to address the connectivity challenge. Second, they do not know where to find that talent. Third, they have difficulty understanding the motivations and expectations of industry outsiders and how to get the best out of them. Without a radical overhaul to their talent development and succession planning efforts, they will be left with a severe management gap.

Players in the automotive connectivity space, especially auto OEMs and suppliers, need to focus on two key areas:

BUILD AND STRENGTHEN THEIR CONNECTIVITY CAPABILITIES ACROSS THE ORGANIZATION

- > Raise the level of discussion, starting with the board, and understand connectivity in holistic terms — as a game changer, affecting the very core of the business, rather than as merely a series of functionality add-ons.
- > Bring in the connectivity experts. Start by recognizing the unique features of this talent pool. These people are younger and expect a different compensation model. They have unconventional career paths and bring a different set of capabilities to traditional automotive executives.
- > Assess how prepared you are to incorporate this new talent into your organization and identify which areas of your HR strategy and talent management systems will need adjustment.
- > Drive connectivity expertise throughout the organization. Design your organization, processes and resources around technology, data and the possibilities it creates. Integrate business development, sales and technology and remember that speed is imperative.

BUILD A CONNECTIVITY CULTURE AND REMOVE ORGANIZATIONAL BARRIERS

- > Hire and develop executives with a connectivity mindset who fully understand and accept the revolutionary potential of connectivity and who can work seamlessly at the highest levels in both traditional and Silicon Valley environments.
- > Support a culture of experimentation. Rethink how you develop and offer new products through new iterative processes (observation, anticipating patterns and testing) and rapid prototyping capabilities.
- > Leading by example. Set the tone for the organization by insisting that consumer insight is integrated into technology systems and business models.

Connectivity: another shock to the system

The multiple challenges facing the auto industry amount to something of a perfect storm. Some of these challenges, such as the underlying global economic trends and evolving customer needs, are not new. However, the emergence of connectivity as a potential game-changer is forcing companies, particularly the established industry players, to bring some urgency to the issues of talent acquisition and development, and leadership succession planning.

Key trends affecting the automotive industry



The Connected Car: a technical definition

A vehicle system encompasses the entire range of mechanical, electrical and electronic architectural components. In the connected car, these interact with each other, offering vehicle control, driver safety and assistance features, and this vehicle system is capable of communicating at short range with a variety of electronic devices such as smartphones or computers. It is also capable of communicating continuously and in real-time with remote servers via cellular telecommunication networks. The connected car is able to offer its driver, owner and manufacturer a radically new set of features and services which can be classified as follows:

ADVANCE DRIVER ASSISTANCE SYSTEMS (ADAS)

A suite of safety features including lane-departure warning, adaptive cruise control, emergency call alerts, driver warnings and real-time traffic information.

INFOTAINMENT

The ability to provide the driver and passengers with access to media and social networks.

AUTONOMOUS DRIVING

Enabling the vehicle to interact with its surroundings, including other vehicles and traffic signals.

TELEMATICS

Automotive systems that combine global positioning satellite (GPS) tracking and other wireless communications for automatic roadside assistance and remote diagnostics.



RAPID GROWTH IS FORECAST

The connected car is not a fad — it is here to stay. Several million connected cars are already being sold every year, and industry projections suggest revenues of \$40–100 billion from connected cars by 2020.

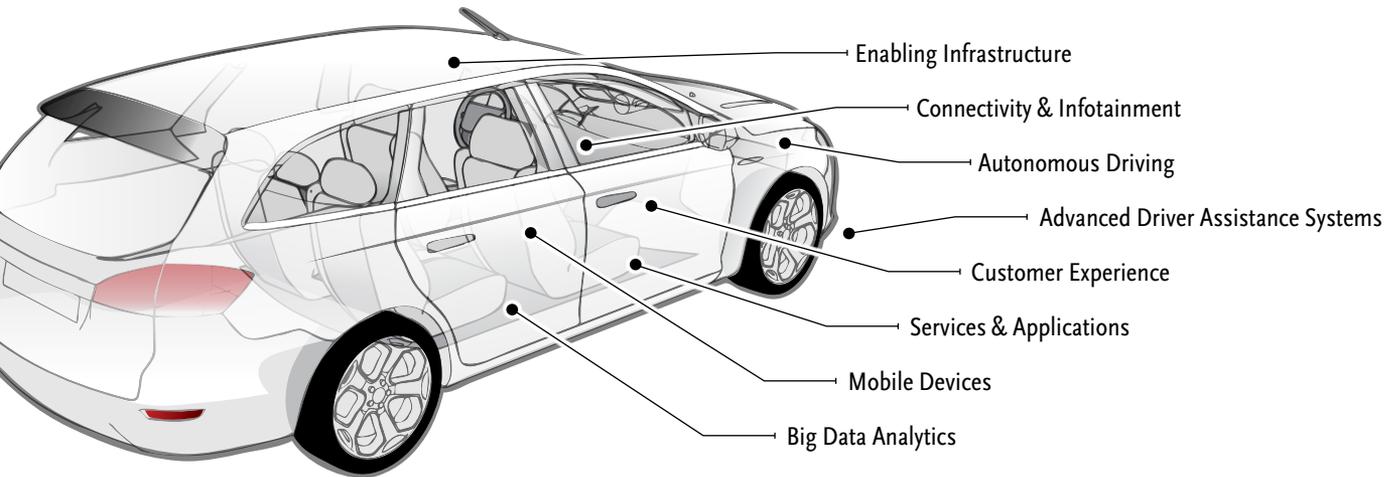
The combination of new customer expectations, larger computing capabilities, faster telecommunication networks and fully digital vehicle systems is making the connected vehicle an immediate reality.

Several factors are driving these developments:

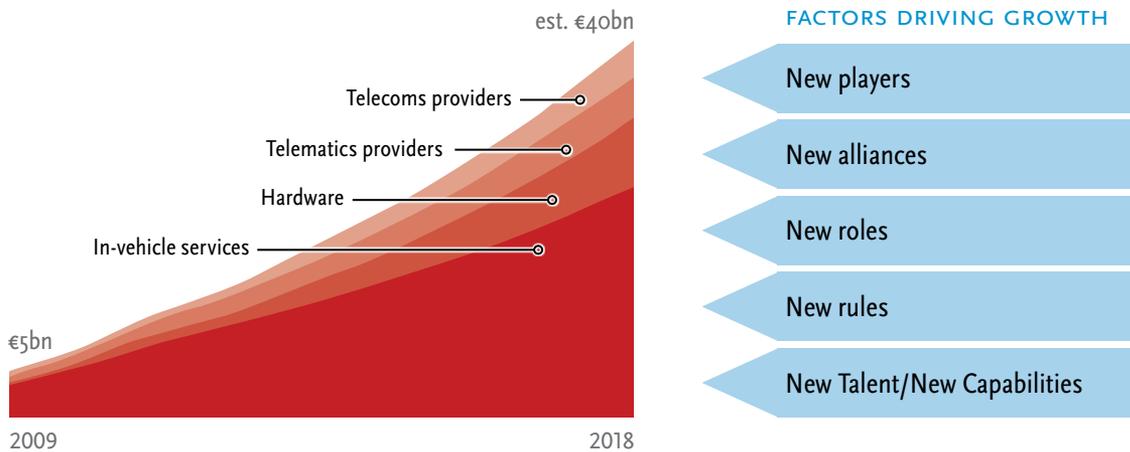
- > Dramatic increases in digital communications network speed, coverage and bandwidth
- > Exponential penetration of smart mobile devices, with decreasing cost of devices
- > Increasingly powerful devices in the driver's pocket, with accelerating product innovation
- > Increasingly affordable smart vehicle electronics becoming mainstream
- > The emergence of viable electric vehicles with built-in connected vehicle features, raising the bar for the rest of the industry
- > The growth of car-sharing networks, including peer-to-peer, which are driving the need for real-time vehicle information
- > A degree of standardization by auto makers of key interfaces between vehicle components,

The scope of our study

Connectivity has a profound impact on diverse aspects of the auto business, from infrastructure and services to devices and the user experience:



Connected car revenues are rising



Industry experts expect the global connected car market to grow three-fold within five years; the number of vehicles with built-in connectivity is estimated to go from 10% of the market to 90% by 2020.

The scale and rate of growth has already attracted new players and created new alliances and these will, in turn, fuel further growth.

GAME-CHANGING INNOVATION

The connected car is substantially different from automotive market innovations of the recent past, such as the development of airbags or hybrid powertrains, in three crucial respects:

- 1 The connected car addresses many of the critical automotive megatrends. For example, the connected car will help to deal with urban congestion by enabling real-time traffic flow optimization.
- 2 Its impact cuts across the entire automotive value chain, from R&D to after-sales. There is not a single function in the value chain of an OEM which is not affected by the connected car. For example, vehicle assembly can potentially benefit from the ability to detect faults in real-time, before a recall blooms out of proportion.
- 3 It moves the boundaries of the automotive industry by drawing in new participants such as telecommunications companies, software providers and even social media companies who are attracted by the potential revenue streams.

As a result, the connected car opportunity needs to be addressed at the highest levels by OEMs, suppliers, vehicle retailers, servicing companies and significant parts of the IoT ecosystem.

The key bottleneck for companies is talent. Understanding talent needs, attracting the right people and retaining them will be an essential part of winning the upcoming connected car battle.

A new breed of automotive leader is emerging

We have analyzed the global automotive talent pool (circa 45,000 Auto executives worldwide) to understand what makes the connected car talent pool different from the rest of the automotive industry. Our conclusion is that an entirely new profile of automotive talent is emerging.

Connected car executives differ from the broader universe of automotive industry executives on a number of measures, including average age, compensation and compensation patterns, academic track record, career profile, and capabilities.

Let's review these points in more detail:

YOUNGER TALENT

Connected car executives belong to Gen X and Gen Y and are mostly in the 25–45 age range. Compared with their peer group in the automotive, technology, media, telecoms and consumer electronics industries, these executives tend to be younger and have less managerial experience. Interestingly, we find that connected car executives are older than their counterparts in other related industries when they take up their first managerial role.

CHALLENGING THE TRADITIONAL AUTOMOTIVE CAREER PATHS

Inside OEMs, careers have traditionally been built patiently over many years, resulting in executives with long average tenures compared with most other industries. Some of these executives, however, have left for Silicon Valley, attracted by the chance to take risks and put their skills and experience to use in a very different environment.

Connected car executives, on the other hand, have not followed well-delineated career paths. While most are drawn to the Silicon Valley environment, some are motivated to join traditional auto companies by the large-scale challenges on offer, and by a desire to make a difference.

A strong characteristic to be found in connected car executives is their sense of mission — a desire to find better ways of doing things, to be a force for good in society. This is often coupled with a motivation to disrupt markets. Many perceive the automotive industry as a rigid, process-driven environment and are unwilling to make the move to an organization where they would struggle to make an impact as a change agent.

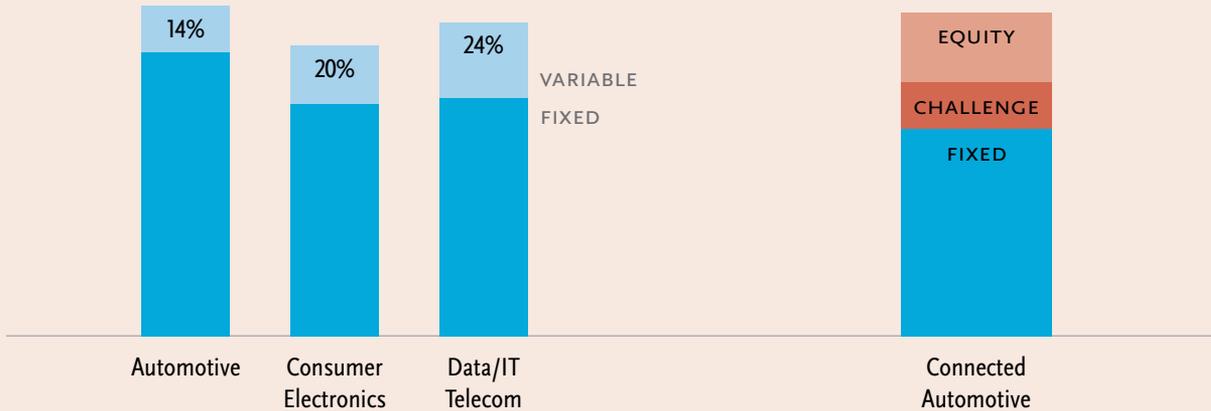
In our research, we identified certain universities and ‘academy’ companies which produce more than their fair share of leading connected car executives. The qualifications these executives are acquiring look very different from the degrees that today’s industry leaders earned 20- 25 years ago. These leaders majored in subjects like engineering and electrical engineering and came from a relatively small pool of universities. By contrast, the range of universities training the current generation of up-and-coming executives is quite different, as are the types of courses they are taking, such as robotics, embedded systems, telematics engineering and mechatronics.

CAPABILITIES

Ideally, according to our research, leading connected car executives should possess a multifaceted set of capabilities and skills. They should have a deep understanding of all aspects of the business, combining consumer, technology and systems perspectives. This rounded thinking is important due to the need for relentless customer focus, the shift from traditional market research to the cycle of observation, anticipating patterns and testing, and the importance of rapid prototyping. In our experience, leading connected car executives have the agility and flexibility to rethink how the business can innovate and develop products that will surprise and delight their customers.

Equity and challenge are important parts of the compensation mix

Compensation breakdown across different sectors



While the connected car talent pool is well paid, cash compensation does not seem to be the main driver. Several executives have told us that they consider the challenge of working on the connected car as part of their salary.

Together with the potential equity benefits of an IPO, this attitude explains the lower rate of fixed pay compared with automotive executives.

LOOKING FOR AND GETTING A DIFFERENT COMPENSATION MODEL

This talent pool is well paid, but cash compensation does not seem to be their main driver. Many connected car executives see the challenge associated with their work almost as payment in kind; they are motivated by the opportunity to help find a solution to something that is bigger than themselves, for example the chance to save lives or, better still, realize the vision of zero accident. That is not to say they are content with earning less than executives in the traditional auto industry: they expect considerable upside. Performance-related bonuses account for a higher proportion of their overall package, and those executives not working for an OEM tend to have more of an equity component in their compensation (see above).

Implications for talent management

There is going to be a war for talent in the world of the connected car. The number of executives who have the skills and capabilities to bring about the required transformation is finite.

Every business involved in some way with the connected car must approach the talent management issue in a holistic way. It is not enough simply to bring great people into the organization. The organization needs to understand the challenge, prepare itself for a very different future, build new capabilities and allow a culture to evolve which will accommodate people with non-standard profiles who have different expectations and ways of working.

“You’d be shocked how little we actually know”

HEAD OF HR,
AUTOMOTIVE SUPPLIER

Boards, executive committees, HR professionals and connectivity top management should assess their level of preparedness with regard to connected car talent. Consider the following questions:

- > How many people on your board or executive committee really understand the connectivity issue?
- > Do you have a list of critical capabilities for connectivity?
- > Do you know the top connectivity talent inside your company? And do you know how they are performing?
- > Do you know if your connectivity talent is satisfied, or are they looking elsewhere? Do you know why some of the connectivity talent might have left your company?

- > Do you know how your connectivity talent is perceived externally by partners and /or competitors?
- > Have you mapped the connectivity talent to determine who you want on your side?
- > Do you have the flexibility in your compensation system that would attract different age and talent profiles?

Answering these questions should provide you with a useful first assessment of your strengths and vulnerability in relation to connectivity talent.

In our discussions with senior industry leaders, often based on the questions mentioned above, we have been alarmed at how many businesses are still developing their connectivity strategy and admit being behind in the war for executive talent.

We are convinced that companies could be better prepared than they are at the moment. After all, OEMs know how to adapt their talent management systems to attract and retain top designers, despite their different expectations in terms of culture, compensation and career patterns. The same is possible with connectivity executives.

Adapting HR strategy and operational talent management for the long term

“We have invested heavily
in the past three years.
We’re in good shape.
But for some automotive
suppliers it is burning
platform”.

VP CONNECTED CAR,
IT SERVICE PROVIDER

If connectivity in the broadest sense is to live up to its promise, companies along the entire automotive value chain will have to build new capabilities. They will have to cultivate a culture that embraces the myriad opportunities arising from a marriage of classic automotive know-how with digital and consumer electronics expertise. In practical terms, it is about integrating the classic automotive expertise that could lead to “zero accident” with the capability to turn data generated by the car, the driver and its environment into actionable information. In turn, this will lead to improved customer management, intelligent transport systems and, ultimately, fully autonomous driving.

While there is an element of hype around connectivity today, the long-term effects it will have are being underestimated, especially among automotive suppliers. Our research leads us to the conclusion that the impact of connectivity on businesses will follow an evolutionary rather than a revolutionary path. However, there is no doubt that profound changes will take place in the industry over the mid- to long-term.

All the evidence we have collected points to a lack of systematic capability mapping, and talent identification, attraction and retention — especially on the automotive supplier side. Organizations should be quick to adapt their long-term HR and operational talent management strategies to the new world of the connected car.

Some players are already adapting successfully to this new world. Learning from their example, we have developed a set of best practice steps to help companies succeed in the management of senior executive talent in the connected car.

We have identified three building blocks for achieving best practice talent management in the connectivity arena:

Building blocks for talent management in automotive connectivity



RAISE THE DISCUSSION LEVEL

Make connectivity a board issue

Players successfully operating in the new space understand connectivity not simply as an add-on of functionalities but in more holistic terms as a game changer, affecting the very core of their business. It requires a new mindset, starting at the very top. Success depends on a deep, understanding of connectivity and digital at every level of the business, just as one would expect to find in a start-up. At one OEM, internal specialists jump several hierarchical layers every other week to present their devices and business models directly to the CEO in a two-hour session. At its best, this is teaching, probing and testing at the most senior level. Boards should ask themselves:

- > How much digital/tech capability do we really have on the board in two respects:
 - board members who are executives from the consumer electronics/ telecom/IT industry?
 - board members who sit on other boards of these industries?

- > Are we spending enough time on connectivity issues? How often should it appear on the board agenda?
- > How well established is connectivity throughout the whole organization, for example how is it integrated into committees (e.g. group product strategy) and key processes (e.g. product development)?
- > How can we ensure the best balance between the IT and consumer electronics principle of “fail early, fail cheap” with the “no-fail” principle that prevails in the automotive industry?

When boards fully embrace connectivity both with the right degree of realism and the willingness to experiment it leads to very practical changes in the organization. Some automotive OEMs have already adapted top-down to the connectivity business model, for instance establishing modified purchasing and budgeting processes.

Set strategic priorities and decide on alliances

One of the board’s first tasks is to ensure the development of a solid strategy, oversee its implementation and allow for an iterative and flexible strategic development process which can adapt itself to inevitable economic and technological disruption. Today, every last player has ranked connectivity as something that must be integrated into corporate strategy. Yet despite this, many boards have not yet made the topic a priority on their agenda, nor are they putting sufficient pressure on senior executives to adapt their talent management strategies to attract the best people in the field of connectivity. Indeed, few boards have worked out a way to add the necessary business model and connectivity-related technology expertise at independent director level.

Capability in sensor technology, man-machine interfaces, software engineering, big data capabilities, telecom network and back-end know-how are absolutely critical for success in the competitive arena of connectivity. Both OEMs and suppliers should have these capabilities in-house at a world-class level. To bridge the gap in the short term, many OEMs and suppliers have little option but to establish strategic alliances and participate in cross-industry consortia. Boards must have a clear understanding of why these are important and ensure that all the necessary measures are taken to protect intellectual property.

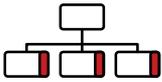
Consequently, boards not only have to be very clear about present and future critical capabilities in the area of connectivity, but should also expect management to have a practical approach towards filling any

gaps — both in terms of strategic HR/talent management and alliance/partnering. The ability to manage strategic alliances across culturally different industries will be key.

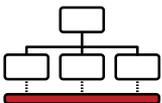
Develop organizational set-up and choose location(s)

Defining the right organizational set up is a challenge primarily affecting automotive OEMs and their suppliers. Connectivity requires a fundamental re-think in how new products and solutions are developed and brought to market. Traditional market research might be helpful, but observation, anticipating patterns and testing as a means of bringing new and surprising products to consumers seems to have more advantages. This process demands multi-faceted capabilities which combine consumer, technology and systems perspectives.

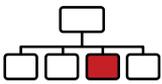
Our research indicates that automotive companies have created a number of different organizational models to facilitate connectivity:



INTEGRATING CONNECTIVITY Some OEMs and suppliers have actively decided against creating a dedicated unit based on the belief that connectivity will be part of everything, from service to infotainment to new business models. They see connectivity shaping the entire driving experience (including autonomous driving and driver assistance systems) and as a consequence the relevant functions are mostly spread across the organization.



PROJECT-BASED ORGANISATION FOR CONNECTIVITY Some OEMs and suppliers are trying to follow the start-up model of establishing a connectivity project close to or within the corporate strategy or product planning departments, intersecting engineering, sales and marketing, and all other relevant business functions and hierarchies. These projects tend to grow into large-scale efforts, drawing input from the established line organization as necessary.



DEDICATED ORGANIZATIONAL UNIT FOR CONNECTIVITY In some companies, the initial motivation for forming a dedicated, physically separate connectivity unit was to demonstrate its importance internally, to overcome initial scepticism and to limit adverse reactions from the internal “immune system”. In other companies, connectivity has long been established and even externally branded as a dedicated entity, for example GM’s OnStar and BMW’s ConnectedDrive.

Whether automotive companies choose the project-based or physical business unit approach, processes, organization and resources should be built around technology, the data and its possibilities. Integrating business development, sales and technology is essential. Speed is imperative, yet most IT departments are often not in a position to move fast enough.

THE IMPORTANCE OF LOCATION Setting the right, fertile location(s) for automotive connectivity activities can be crucial if a business wants to have access to the best talent and to be able to form connections with other entrepreneurs. This applies to both the automotive industry as well as the IT and consumer electronic sectors.

For auto OEMs and suppliers, attracting the right talent and mindset for connectivity roles can be a challenge, more for geographic than industry reasons. Stuttgart, Hannover, Wolfsburg, Gothenburg, Gaydon, Boulogne-Billancourt, Yokohama etc. are competing for talent with Southern California and China. As a result, most of the OEMs have established a presence in both regions.

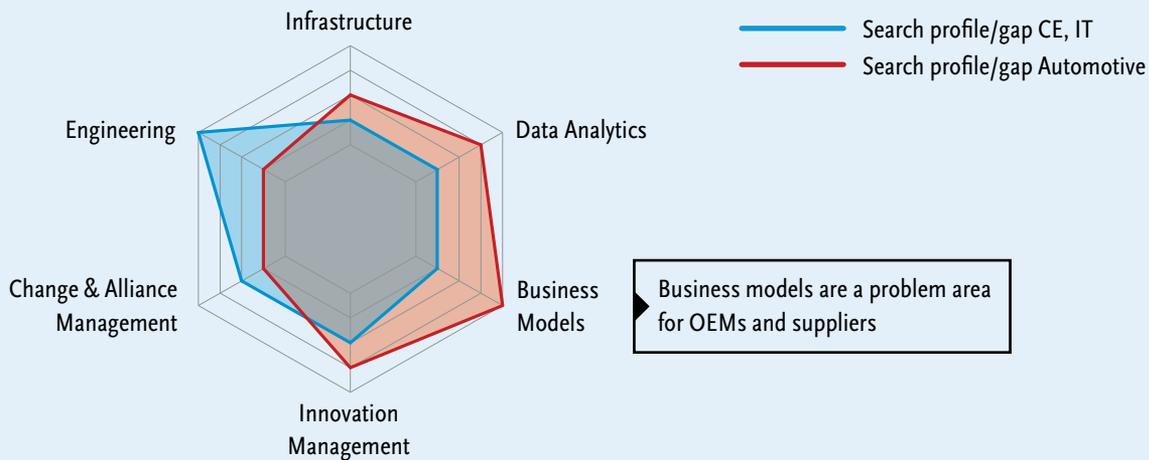
For Silicon Valley this also proves to be advantageous, as direct contact with seasoned auto experts helps them to aim for and attain the very high standards of the automotive industry.

Know your connectivity high potentials

One way to raise the level of discussion level of connectivity internally is for the board to have direct interaction with the relevant internal experts over and above any formal contact that may occur at the committee level. Just as boards regularly exchange views with product designers, they should start doing the same with their most important connectivity people, not only to learn but also to send the right signals into the organization. This contact with the board contributes to the retention of high potentials and other key executives.

To summarize, we strongly believe that the organization's connectivity strategy needs to be discussed at board level.

Critical capabilities for automotive connectivity



Automotive connectivity intersects a number of disciplines and ideally leaders will be able to demonstrate a strong capability in each of the six areas described below. However, the reality is that no executive will have equally strong abilities in all areas, and therefore it is important to ensure that the full suite of capabilities is represented among the senior team. Likewise, senior executives with responsibility for overseeing the connectivity project should be fully aware of where their own strengths and weaknesses lie. Expertise in identifying and developing new business models is particularly important.

Infrastructure

Ability to provide robust, scalable infrastructure (based on solid telco network and back-end knowledge)

Data analytics

Ability to conduct deep analytics that result in meaningful models and predictability options & tools

Business Models

Ability to understand potential business models and monetization opportunities, transferring successful web economy business models to the car industry with a deep understanding of the auto, service and content industries

Innovation management

Ability to adapt and depart from 5–10 year cycle times towards rapid prototyping

Change & Alliance management

Ability to unite staff and partners behind a shared idea of connectivity

Engineering

Ability to integrate advanced engineering, advanced electronics and advanced driver assistance systems (incl. MMI) towards autonomous driving

“Say goodbye to 5–10 year
cycle times”

HEAD OF CONNECTIVITY,
VOLUME OEM

IDENTIFY TOP CONNECTIVITY TALENT

Assess challenges unique to the organization and define critical capabilities

Based on our executive search experience and our assessment work in connectivity, hiring people with the right mindset is the hardest part of the talent acquisition process to get right. For OEMs and suppliers, this means hiring executives with the willingness and capability to shape the business environment and foster partnerships with companies in different parts of the supply chain.

One might expect corporations to base their approach to connectivity talent management on a realistic assessment of their strategic goals, their current market position and on a clear idea of what critical capabilities and skill sets are needed to be effective players in the connected car arena.

However, when we asked corporations to rate their activities, most of them admitted to not yet having a strategic, systematic approach to identifying the crucial in-house capabilities required for connectivity or having prepared profiles for target candidates.

Through our research and practical experience from relevant assignment we have identified six interdependent critical capabilities ideally found in automotive connectivity executives (see figure on page 19).

ENGINEERING CAPABILITY Most of our clients state that filling capability gaps in technology and electronics is not the main problem, despite there being a shortage of software engineering capacity, especially in Europe. Both traditional automotive and Silicon Valley companies have identified as mission critical the ability to integrate advanced engineering, advanced electronics and advanced driver assistance systems for the purpose of developing autonomous driving and intelligent transport systems. Expertise in sensor technology and the interface between man and machine are absolutely critical for this purpose. Security is another area that must be covered, given the dangers posed by hacking.

INFRASTRUCTURE CAPABILITY The ability to build robust, scalable infrastructure (based on solid telecom-network and back-end know-how) is already critical, especially at managerial level, and demand will grow with greater coverage and integration in connectivity. On a platform of further improved cloud services and stream analytics, this will lead to additional value chain activities with better data usage, new structures and new players.

BIG DATA CAPABILITIES Any connectivity-related business depends on the ability to conduct detailed analytics on the functioning of cars, their interaction with the environment and the behavior of those who travel in them. This in turn feeds the development of new models and more sophisticated information for the benefits of businesses and their customers.

Never before have companies had access to so much data from so many sources and the sophisticated technology to store, manipulate and make use of data for decision-making. While big data holds great potential, companies are unlikely to realize that potential unless they have a data-literate organization, executive and functional leaders willing to invest in and use data and analytic tools, and engineering experts and data scientists with in-depth knowledge of machine learning, data visualization, predictive analytics and other new approaches to distilling actionable insights from data.

Organizations that view big data as a competitive advantage will need to hire data scientists to extract meaningful insights from the data, technologists to build and incorporate new technologies and engineering leaders who can build and train big data teams. Unfortunately, the pool of experienced talent is small. These executives can principally be found in a handful of high-tech companies, IT services firms, start-ups and some progressive IT and analytics organizations in larger institutions. Not surprisingly, the competition to recruit these individuals has become increasingly intense, and the top talent wants to work on the most exciting challenges — companies with the most interesting data assets or the most innovative technology and tools.

BUSINESS MODEL UNDERSTANDING Most connectivity business models are still untested. External onlookers would probably be shocked at how little business case analysis is done. The prevailing attitude could be summed up as “we don’t know whether it really pays off, but if we don’t try, somebody else will get ahead of us”. Companies need people who really understand the auto, service and content industries, who can envisage potential business models and who can successfully transfer web-economy business models to the car industry. In this respect, BMW is rated by the participants of our study as currently having one of the most holistic models, having examined the implications and opportunities for the entire business stream, from manufacturing to marketing to the customer driving experience.

INNOVATION MANAGEMENT One of the key challenges for automotive, IT and consumer electronics companies is the alignment of very different design principles and cycle times. The ability of automotive OEMs and suppliers to depart from 5–10 year cycles towards rapid prototyping and successfully adapting to the “fail early, fail cheap” principle is critical. The auto industry is learning fast, increasingly shifting its focus towards the consumer. The car industry may take a relatively long time to bring new products to market, yet the difference between the length of innovation cycles in the automotive industry and, for example, the mobile phone industry is narrowing all the time. Car manufacturers are steadily embracing the idea of faster iterations in the innovation process; this is beneficial in many respects, not least the effect it has on the ability to attract executives used to operating in a fast-paced innovation environment.

CHANGE AND ALLIANCE MANAGEMENT Reaping the full benefits of connectivity requires sponsorship by top management as well as connectivity leaders capable of uniting staff and partners behind a shared idea. Internally, engineering, financial control and sales/marketing have to be brought together and procurement processes and budgeting rules need to be adapted. Externally, different cultures (e.g. auto and IT/consumer electronics) need to be aligned — especially in an environment where senior management predominantly comes from an engineering background. This new era requires leaders to be comfortable in both worlds, acting as real discussion partners for the relevant ecosystem and systematically addressing the cooperation/collaboration side of connectivity.

Since finding executives with a depth of experience and ability in each of these six areas is always going to be a big challenge, each business must prioritize which are most important for their connectivity leaders to possess and ensure that all capabilities are fully represented among the senior team.

Take stock of your internal talent pool and identify capability gaps

In a perfect world, critical capabilities would be identified and related to executive management development and succession planning. Systematically taking stock of the senior talent in connectivity, gaps would be identified at function, region and executive level.

In reality and without a systematic assessment, most OEMs and suppliers understand that they will not get further in connectivity with internal resources only. In many cases they will have formed a connectivity unit or project, transferring executives and staff mainly from corporate strategy or in-house consulting; they may sporadically have hired some experts from the telecoms or IT industry.

In many functional areas, however, the prevailing theme is re-formatting existing positions, upgrading or widening in their scope to meet the demands of connectivity (e.g. sales, sales strategy, after-sales, spare parts etc.), rather than hiring in new talent.

OEMs and suppliers have built their capacity in engineering for connectivity. Many of them have outstanding engineers, able to tackle even the most complex integration issues successfully. To satisfy additional needs, technical experts and programmers are hired from the outside. In most cases, they are fairly easy to attract to the car industry and its heavy engineering environment. But with software making up 80 per cent of the connected car's features, shortages in software engineers are already evident.

A list of critical competencies?
A gap analysis?
Not here.
Should we have it!
Of course!

CONNECTIVITY EVP, OEM

Where's the great challenge, the thing greater than myself? Where is my impact 10-fold, not incremental?

CANDIDATE FOR A SENIOR
CONNECTIVITY POSITION
AT AN OEM

Get to know the external talent pool

In order to fill the identified capability gaps, some forward-looking HR departments at leading automotive OEMs and suppliers have developed an effective radar for identifying the broad-based skills required in the connectivity arena. They tend to have a clear idea of who are the 50 top people for automotive connectivity worldwide and where they work. That list of executives and their capabilities is systematically updated, despite some functions being difficult to define precisely. Role specifications are constantly changing in tune with the business and the value placed on soft skills is on the rise. The challenge is to find people who can communicate effectively across a wide range of functions and organizational cultures and who are just as comfortable discussing engineering challenges as they are debating new business models.

The majority of OEMs and suppliers still have no systematic approach to identifying external talent; instead, they use personal contacts and referrals. This is generally viewed as an less-than-optimal approach.

ATTRACT AND DEVELOP CONNECTIVITY LEADERS

Tailor the pitch to your targets' needs & aspirations

During the course of our research, automotive executives raised concerns that the auto-industry is not as attractive as the IT or consumer electronics industries. The ability to attract the right senior executives from IT, telecoms or consumer electronics is to some extent a function of industry reputation, brand image and location, but it is also a question of individual aspiration, goals and character type.

In the end, the companies that will succeed are those that can offer their employees the best balance and sense of purpose. A mass market OEM with an average or low brand perception in a relatively non-descript or unattractive location will inevitably face difficulties attracting people, and not only in connectivity. This is not to say that the auto industry cannot attract outstanding talent, as evidenced by recent moves by top executive in connectivity from Silicon Valley's most valuable brands to auto OEMs and suppliers.

Another concern is centred around the character of executives. Some automotive executives argued that the IT and auto industries attract different types. Companies like Google or Apple are more dynamic, better able to manage uncertainty, and have a very different risk/reward attitude.

The automotive industry, they say, is attractive to those who wish to be at the forefront of technology but who seek more security and are personally risk averse.

We disagree with this view. In both sectors we found senior executives with the ambition to transform the industry, who are actively challenging conventional wisdom and who apply “factor 10 thinking” to bringing improvements in time, cost or performance. The common denominator in these outstanding executives is the pursuit of something greater than themselves. Achieving a world with zero accidents is an enticing goal and they want to contribute to the solution. As a consequence, getting across the true nature of the challenge, and the growth opportunities that come with it, is one of the prerequisites for attracting the best people. Stretching people, asking them to do the impossible, is the starting point for achievement.

By framing the opportunity in this way, companies appeal to a different kind of motivation among prospective hires and need to develop flexibility in constructing their compensation packages. Some OEMs or suppliers have uncompetitive packages, fairly rigid pay-scales and slow rates of career progression, all of which creates retention issues. In order to attract connectivity leaders from outside the industry, OEMs and suppliers alike sometimes set up a separate legal entity and location (often in Silicon Valley). This helps them with their hiring in several ways:

- > It makes it easier to offer more flexible compensation schemes
- > It emphasizes the real challenge, since this is seen as part of the reward
- > It provides highly attractive career options (e.g. exposure to top management, promotions, etc.)
- > It increases the freedom to move within the organization, makes it easier to get the budgets to achieve the most ambitious goals and ensures the backing of top executives

We get the square pegs
from the OEMs — they
come to us because they
are rebels

EVP HR WITH A
SILICON VALLEY FIRM

Improve connectivity leaders' effectiveness by improving cultural fit

Much has been written about the different cultures in automotive and IT or consumer electronics. Based on our research, we see the cultural challenge in terms of the contrast between the need for flexibility and stability. Flexibility is easier to achieve in the Silicon Valley environment, where agility and speed are everything, ideas are tested without a business case and the “fail early, fail cheap” principle is accepted or even demanded. OEMs and suppliers, by contrast, offer a culture of stability established over a long period, where people strive for the perfect plan and where failure is not accepted.

- > The contrast in cultures is not as clear and distinct as it used to be; indeed, the differences are blurring because both sides are well aware that they need each other in order to excel. Nonetheless, since cultural fit is proven to be one of the key determinants of success for external hires, this dimension of talent and executive management development needs to be thoroughly addressed. We therefore encourage companies to take the following action:
- > Measure and understand the current culture, values and behavior of the company and those business units or functions geared towards connectivity (e.g. technical engineering, product management, etc.)
- > Define the desired culture of the company and strategic business unit (How do we want our connectivity culture to be? How does it integrate into the company's overall culture?)
- > Assess the unique cultural style of the organization's most senior leaders, including their values, strengths and self-image
- > Determine how well individual profiles fit with the current and/or desired organizational culture by measuring similarities and differences.

The new generation of leaders in the world of automotive connectivity gravitate towards a distinctly different set of cultural styles than their peers in the traditional automotive industry. Whereas automotive executives tend to be more oriented towards stability and interdependence (placing a high value on safety and order), connectivity executives value a culture of flexibility and independence where there is an emphasis on learning, enjoyment and purpose.

Companies that pay close attention to the cultural dimensions of connectivity are going to be more successful in the war for talent by making it easier to attract the best leaders with the right capabilities, and enable them to excel and stay with the organization.

Adapt integration, training and development plan

Just as different cultures need to be aligned, special attention should be paid to onboarding efforts. Connectivity leaders are not typical automotive executives and newly hired executives tend to decide very quickly if they intend to stay with the organization or begin looking for a different job.

It is essential to define clearly exactly what the roles and responsibilities of the connectivity leader are and, even more importantly, to define their objectives and the resources they will need to be successful. Offering the right balance between autonomy and support also affects the likelihood of success.

In addition, businesses need to adapt their environment to make it easy for connectivity executives, who are used to very different cultural and physical settings, to integrate successfully.

Conclusion

Identifying, attracting and retaining top talent will be key to staying ahead in the connected car race. We believe that by following these simple steps automotive leaders will achieve success. But the time to act is now.

The authors are grateful to the many executives, both inside and outside the automotive industry, who have shared their experiences and insights with us during the preparation of this report.

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Our Practices

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Spencer Stuart's dedicated Automotive Practice consultants located around the globe have completed more than 350 senior-level searches over the past four years. We serve large and midsize global companies throughout Europe, North America, Asia Pacific and South America and have unrivaled access to leading automotive executives around the world through our deep relationships. Our searches in the industry span functions, including marketing and sales, finance, operations, and research and development, as well as general management and boards.

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