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Digital Transformation

Leadership for an Internet of Things World

Appetite for Risk, Customer Focus and Collaboration
Part 2

Editor's note: The Internet of Things (IoT) is the next wave of rapid revolution for companies across industries. Seizing the IoT opportunity will rely on a small pool of in-demand talent and organization-wide readiness for change. This series will explore the people side of IoT — the types of leaders and skill-sets needed, the role organizational structure and culture play in fully maximizing IoT's potential for the business, and how senior executives across industries are addressing these issues in their own organizations.

The Internet of Things (IoT) promises enormous benefits — the ability to improve efficiencies, gain new insight, automate and enable new business models. For first movers, the starter's gun has already sounded. Early adopters are exploring the application of IoT, restructuring their businesses to reposition their organizations in an IoT world, and creating specialized teams to advance their solutions and offerings. They are also recalibrating their business models and aligning them with the changing expectations of customers already interacting with IoT. They are learning fast. Spencer Stuart recently spoke to leaders across industries currently charting new territory in the realm of IoT to understand what skills, talent and leadership capabilities organizations need to fully seize the opportunity.

With IoT, data can be captured and applied to add value to the processes, operations, customer service capability and overall performance of an organization. But it is not a simple or easy task; it entails reaching across lines of business and into the extended enterprise, potentially disrupting business processes, hierarchies, roles and responsibilities, and even changing the culture of the business. Developing and implementing this kind of change requires leaders and teams with a vast array of skills. Some of these include:

> **Strategic vision and ability to communicate the potential of IoT**

> **An appetite for risk, agility and stamina**

> **Data analytics, IT development and security expertise**

> **Ability to work across silos**

> **Customer orientation**

This series features insights from:

Chip Adams
Board director at Under Armour

Bernie Anger
General manager at GE Intelligent Platforms

Raj Batra
President of the digital factory division at Siemens USA

Don Butler
Executive director of connected vehicles and services at Ford

Dave Chase
Founder of Rosetium and former CEO and founder of Avado

Phil Gerskovich
Senior vice president of new growth platforms at Zebra Technologies

René Hartner
Vice president of corporate business development at SanDisk

Ulf Henriksson
President and CEO of Dematic

Kevin Ichhpurani
Executive vice president and head of business development and strategic ecosystem at SAP

Dirk John
Partner with McKinsey & Company and previous head of innovative technology at Siemens

Kurt Mueller
Chief innovation officer of PulseCX

Maria Thomas
Chief consumer officer of Smart Things

"Many companies are waiting for IoT to be defined before they take action and invest. You have to define it yourself so you can tie a solution to it.

ULF HENRIKSSON
PRESIDENT AND CEO
OF DEMATIC

It is unlikely that organizations will find all the skills necessary to carry the IoT mantle within a single leader, especially as IoT evolves and different capabilities rise in importance. The complexity and far reach of IoT demands that organizations build a team of leaders with a wide range of skills.

STRATEGIC VISION AND ABILITY TO COMMUNICATE THE POTENTIAL OF IoT

"IoT will impact the business models, corporate strategies, how some companies view and define their markets, and the investments that need to be made," said Maria Thomas, chief consumer officer of Smart Things, an open platform for home automation and IoT, which was acquired by Samsung in 2014.

Such disruption and transformation demand leaders who can develop a vision from a virtually blank page. According to Kevin Ichhpurani, executive vice president and head of business development and strategic ecosystem at SAP, the ability to create entirely new business models is vital in such an undefined space. Because IoT reaches across functions and lines of business, leaders need to be able to comprehend the opportunity from multiple dimensions. "They need an understanding of business processes, operations technology and information technology — and how these can be integrated to deliver value," he said. Creating a strategic vision is not enough: Leaders must then be able to clearly communicate the vision and next-generation solutions throughout the organization.

Companies will also need marketing and sales talent who can tell the IoT story and convey the benefits to the customer. "You need sales people who can communicate these solutions to a diverse audience, which may extend from the CTO to the head of manufacturing," said Ichhpurani.

A BIAS TOWARD RISK, AGILITY AND STAMINA

Senior leaders who want to push the IoT agenda have to be courageous, taking the risk of defining a complex concept that doesn't currently have a universal definition. For Ulf Henriksson, president and CEO of global engineering and logistics company Dematic, taking the lead in this arena was about taking that leap.

"Many companies are waiting for IoT to be defined before they take action and invest," he said. "You have to define it yourself so you can tie a solution to it. If you cannot explain 'red,' how can you use 'red'? Dematic is implementing as it learns. One year down the line, we are still in search mode, but by beginning to define IoT, we're learning from it."

Like Henriksson, many leaders believe we have only scratched the surface of IoT's potential. In a dynamic, continuously evolving environment, leaders must not only be willing to take risks and pursue unproven opportunities, but they must also be able to change course quickly if the return does not justify the risk. They must be agile.

At Dematic, initial IoT integration was planned by the R&D team and implementation was spearheaded by senior leaders. What made these senior leaders invaluable? Next to appetite for risk and vision, Henriksson lists the ability to implement, adaptability and stamina amid rapid growth and change as differentiating skills.

DATA ANALYTICS, IT DEVELOPMENT AND SECURITY EXPERTISE

IoT brings together the physical and virtual worlds. It will deliver vast amounts of data to organizations and it will require people with data and technical skills as well as domain expertise to identify truly important data points within a continuum of data and apply insights from data to deliver value for the organization.
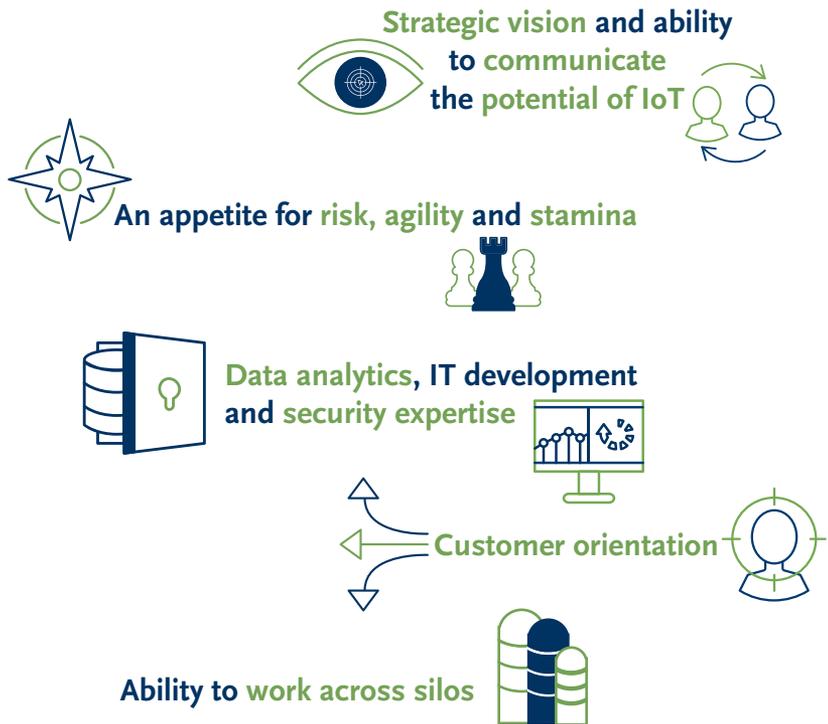
"We see skill gaps in three categories: cloud-based software development, enterprise mobile development and device engineering with new IoT connection standards," said Phil Gerskovich, senior vice president of new growth platforms at Zebra Technologies. "The related trend of Software as a Service and pay-for-use has implications for the selling process, and its measurement and deployment."

To leverage IoT, organizations will need core capabilities around software development, security, data analytics and data science. To build its software development capabilities, Dematic handpicked a team from the mobile, information technology, electronics and telecoms sectors.

Even functions outside of information and operations technology will require leaders who are data literate and can consistently align business processes with IoT inputs. In industries such as healthcare and financial services, leaders with data security and risk management expertise will be in particularly high demand: A recent *Forbes* article called the chief security officer the "corporate rockstar of the future."

While senior executives do not always have deep technology or data science skills, they must understand the right questions to ask in order to determine how IoT impacts the broader business. They also must have enough technology awareness in order to leverage insights from data for new opportunities.

Internet of Things demands leaders with:

Strategic vision and ability to **communicate** the **potential of IoT**

An appetite for **risk, agility and stamina**

Data analytics, IT development and **security expertise**

Customer orientation

Ability to **work across silos**

ABILITY TO WORK ACROSS SILOS

A key component of IoT success relies on the sharing of data among previously siloed functions. Additionally, the enormity of IoT cannot reside within any single function. Thus, organizations need senior executives who foster collaboration across the enterprise. "In terms of engagement with IoT, there is no single decision-maker," said Raj Batra, president of the digital factory division at Siemens USA.

"You need a set of players," said Ichhpurani. "There's not one person that's going to be able to do this all. You need to create virtual teams that have these different skill-sets." At Ford, various teams spanning marketing, product development and IT

collaborate on connected car efforts, according to Don Butler, the automaker's executive director of connected vehicles and services.

CUSTOMER ORIENTATION

IoT brings the customer and the manufacturer closer together. An understanding of the value IoT can deliver can impact core value propositions and uncover new opportunities to gain market advantage. Henriksson has witnessed the shift from "push" to "pull" marketing, with customer expectations of fast, easy ordering processes and delivery fulfillment growing. Customer-orientated leaders will help identify opportunities to improve competitiveness.

While Gartner predicts that by 2016 more than 26 million smart garments will be worn by consumers in the U.S., grabbing a piece of the future market for digitally enhanced sportswear was not the only driver for Under Armour's decision to invest $710 million in the purchase of three fitness app companies. These acquisitions are also providing access to a community of 120 million athletes.

"It was not just a financial decision," explained Chip Adams, board director at Under Armour, "it was a mission decision. Buying into digital fitness was not only about selling more shirts and shoes; it's about

However, to be effective, these technologies must be intuitive for patients to use, driving demand for leaders fluent in user experience.

For some organizations, adopting IoT will require leaders to forge non-traditional relationships to deliver on customer experience expectations. For example, Ford will incorporate Apple's CarPlay and Google's Android Auto into its vehicles, but via its Sync system. That ensures Ford customers don't choose their ride based on the smart technology the vehicle incorporates. According to Butler: "We have to align around the consumer experience."

ABOUT THE AUTHORS

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Under Armour's mission to improve the performance of all athletes, namely anyone engaged in any kind of sport or fitness. We understand the value of the information that digital fitness and performance tracking apps can provide to our customers. It enables our customers to change their lives — and that adds immense value to the Under Armour brand."

Under Armour's strategy continues to evolve, but a close parallel can be drawn with the use of digital solutions in healthcare, one of the top IoT impact areas. In this sector, technologies, devices and solutions are being developed that can directly impact patient health and outcomes.

THE TALENT LANDSCAPE AND BUILDING THE PIPELINE

Integrating IoT will dramatically change how companies produce and deliver goods and services, and interact and transact with customers. The opportunity is immense and first movers are already staking their claims. But not all will be successful in their efforts — a range of leadership skills is needed to integrate IoT into the business and the extended enterprise. This kind of talent cannot only be acquired, it needs to be grown.

Part 3 of this series looks at the talent landscape and building the talent pipeline for the long term. Part 1 examines the role of organizational structure and culture in IoT-readiness.

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ABOUT SPENCER STUART'S DIGITAL TRANSFORMATION PRACTICE

Spencer Stuart's Digital Transformation Practice has more than 60 members with experience across multiple industries, functions, geographies and specialties. We've conducted more than 500 digital searches for a wide variety of evolving functional and digital leadership roles, including chief digital officers, digital board directors, chief technology officers, chief content officers and chief product officers. Digital forces demand nimble organizations and leaders who can drive change. We help clients to define and address the leadership, organizational and cultural issues they are facing in areas as diverse as Big Data, Mobile Payments, Internet of Things, Social Media and E-commerce.

ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 56 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

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