BUILDING LEADERS WITHOUT SILOS

CONTENTS

EXECUTIVE SUMMARY

Digital transformation isn't only disrupting established business models. It's disrupting time-honoured career paths.

Once, an ambitious professional could take a straightforward path to build their experience and reputation in an area of business. The road from the cubicle to the corner office, and beyond, was mapped out for them. However, traditional corporate silos, and the career paths to the top of them, are changing as emerging technologies become central to every aspect of doing business.

This report examines the effect that digital disruption—transformation caused by the emergence of new technology and business models—is having on the career trajectories and development plans of current and future executives. It identifies the leadership skills that are emerging as conventional roles merge, and how executives in today's marketing, sales, customer service and information technology (IT) functions propose to develop them.

Written by The Economist Intelligence Unit and sponsored by Salesforce, the research is based on a survey of 800 business executives, based in France, Germany, the Netherlands and the UK. Key findings of this research include:

- **Leadership roles are merging amid digital disruption.** The need for digital innovation in response to disruptive competition requires companies to be more collaborative, and therefore to remove the organisational barriers that hinder partnership across functions. Leadership roles are increasingly overlapping as a result: 70% of respondents say their role is merging with that of other leaders in their organisation, thanks to digital disruption. Marketing executives in particular see their function merging with IT.

- **That threatens once-clear career paths for business leaders.** The conventional corporate hierarchy and functional specialisation offered employees a clear path to define their required skills and progress up the career ladder. Now, 48% of executives agree that the blurring of departmental boundaries makes it harder for them to plan their professional progression. Only 38% say it is clear where to focus their skills and training.
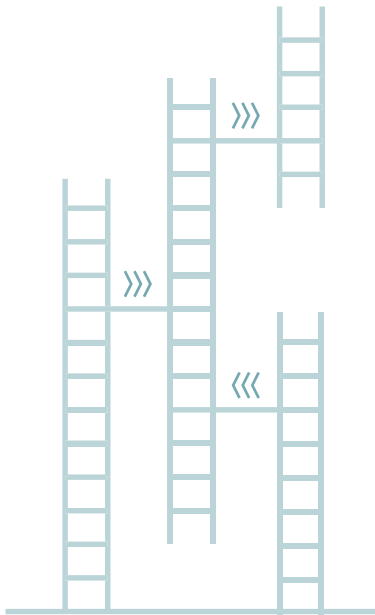
- **The leaders of tomorrow place more emphasis on interpersonal skills.** Two-thirds of respondents believe that the ability to manage across functions will become a more important leadership skill in the next three years, thanks to digital disruption, and 65% say internal networking will be more important in the near future. The leadership skill that most respondents believe will grow in importance is motivating employees.

- **The erosion of organisational silos is an opportunity to develop as a leader.** Many executives expect training to deliver the leadership skills they will require in future. Some believe they will need experience in other industries. But the majority (62%) of respondents say it is likely that they will expand their current role to include responsibility for other departments. This response to digital disruption seems to provide the best opportunity to emerge as stronger, more future-ready leaders.

LEADER PROFILES:
## Sales: safe but set apart

Salespeople have always relied on a human touch. The empathy required to tell when a prospect is ready to buy is hard to digitise. This may explain why leaders in sales most often say that digital disruption is transforming how their company works, but least often say it has impacted their function or career prospects in a significant way.

For better or worse, sales' ambivalence about disruption is creating a skills gap compared with peers in other departments. Sales executives most often say that the effects of digital disruption do not require any leadership skills in particular. This could be a self-fulfilling prophecy: sales executives are least confident in their data analysis skills, and less than half believe their company affords them the opportunities to learn new skills in the face of digital disruption.

Q15: To what extent do you believe your current role and company provide you with opportunities to develop the leadership skills required by digital disruption?
% of respondents who say this is true

Sales	43%
Customer service	51%
IT	55%
Marketing	61%
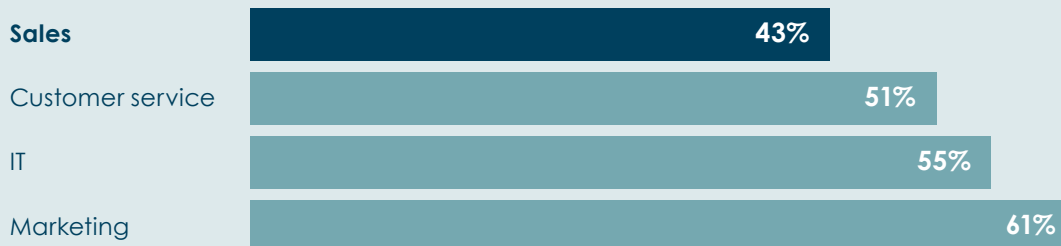
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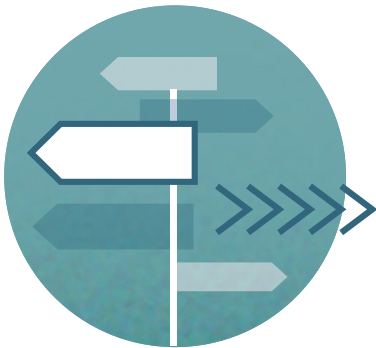
The career impact of digital disruption

Much has been written about the organisational impact of digital disruption, defined in this study as the use of digital technology to support business models that threaten the dominance of established companies.

And not without reason—that impact has been widely felt. More than half of the respondents surveyed by the EIU say their company has been extremely (13%) or significantly (42%) affected by digital disruption over the past three years. Only 3% say they have not been affected at all, and most respondents expect these levels of disruption will continue over the next three years.

To date, though, the impact of digital disruption on employees and their career paths has been less explored. Digital disruption puts professional progression into question as companies explore new ways to structure themselves and question the relevance of traditional specialisations.

"The traditional assumption has been that ... employees might move to other positions within the same organisations, but that the nature of the jobs themselves wouldn't change substantially," wrote Jacques Bughin, Susan Lund and Jaana Remes, of consultancy McKinsey, in 2016. Now, though, "organisational structures are starting to look different".[1]

Over half of respondents to the EIU survey (54%) say digital disruption has created the need for new roles with new skills and capabilities, while 57% agree that it has removed the need for some roles that previously existed.

And although only one in ten say that restructuring the company has increased in priority as a result of digital disruption in the past three years, the expansion of responsibilities across organisational boundaries is evident: 22% of IT executives surveyed say their department needs to be more customer-focused; 21% of respondents from customer services say they need to be more sales-focused; 22% of sales executives say they need to be more innovative, while 22% of marketers are under pressure to be more technologically proficient.

Today's executives already know that technology can shape their career: 73% of respondents say their career path and professional development have been impacted by digital disruption. But for current or aspiring executives, the merging of corporate functions presents two pressing questions: what capabilities will they need to fill the leadership roles of tomorrow? And how should they develop those capabilities?

73%

of respondents say their career path and professional development have been impacted by digital disruption.

[1] https://www.mckinsey.com/business-functions/organization/our-insights/rethinking-work-in-the-digital-age

CHAPTER 1

Breaking down boundaries

For many years, companies, especially large ones, built large, highly specialised organisational siloes. There were good reasons for this. If a business process can be broken up into highly repeatable tasks, then it makes sense to build large divisions that can execute those tasks with both specialist expertise and scale.

Reacting to digital disruption, or initiating it oneself, is not a process that can be split into repeatable tasks, however. Digital development requires people with a range of skills and capabilities—some technical, some business-focused—to work in close collaboration, quickly and iteratively. Any distance between the functions is a drag on innovation.
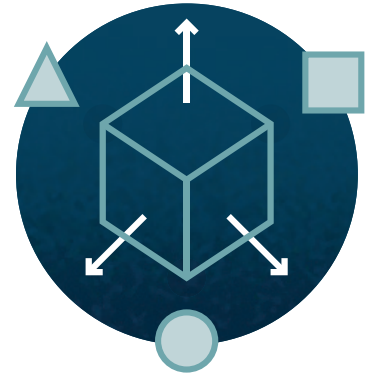
LEADER PROFILES:
Customer service: dazed and confused

Consider them sceptics. Customer service leaders, who are overwhelmingly motivated by a desire to help others, are not wholly sold on the positive effects of digital disruption, for their company, department or even their role.

This creates more career confusion than certainty. The majority of these executives (65%) do not believe that it is clear where they should focus their skills and training, a particularly sharp contrast with the IT function, where about half (49%) say they do not have

clarity. In a similar vein, more than half (53%) say the blurring of departmental boundaries makes it harder to plan a career; only 44% of their counterparts in sales and 36% in IT agree.

This confusion suggests a risk. Many say that their most likely next step is to leave their company for a role better suited to their existing expertise: 35% say this is very likely—about the same as marketing leaders but well ahead of sales and IT.

Q3. To what extent do you agree or disagree with this statement: "Digital disruption enables my company to deliver a better customer experience?"
% of respondents who agree

Customer service	41%
Marketing	47%
Sales	50%
IT	65%
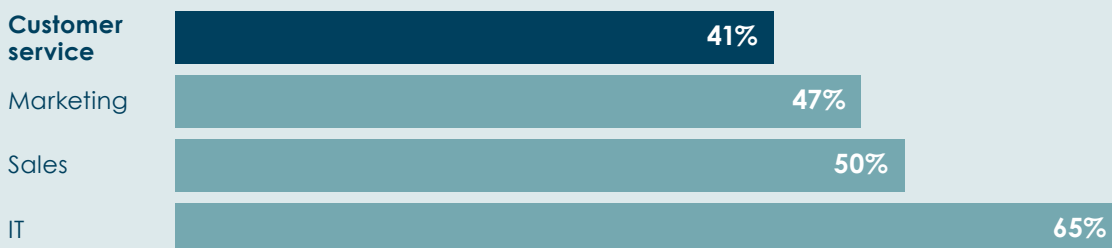
BUILDING LEADERS WITHOUT SILOS

A study of companies in the financial services sector by consultancy BearingPoint found that purely digital companies are more likely to have business and IT staff located in the same area or building than traditional firms.[2] "This enables a true collaboration to build upon and support each other's ideas and pledge resources," the study asserts. By contrast, when IT and business staff are in different buildings or even countries, "collaboration is low and people rarely request help from others, fearing that it is perceived as an admission of incomprehension or lack of knowledge."
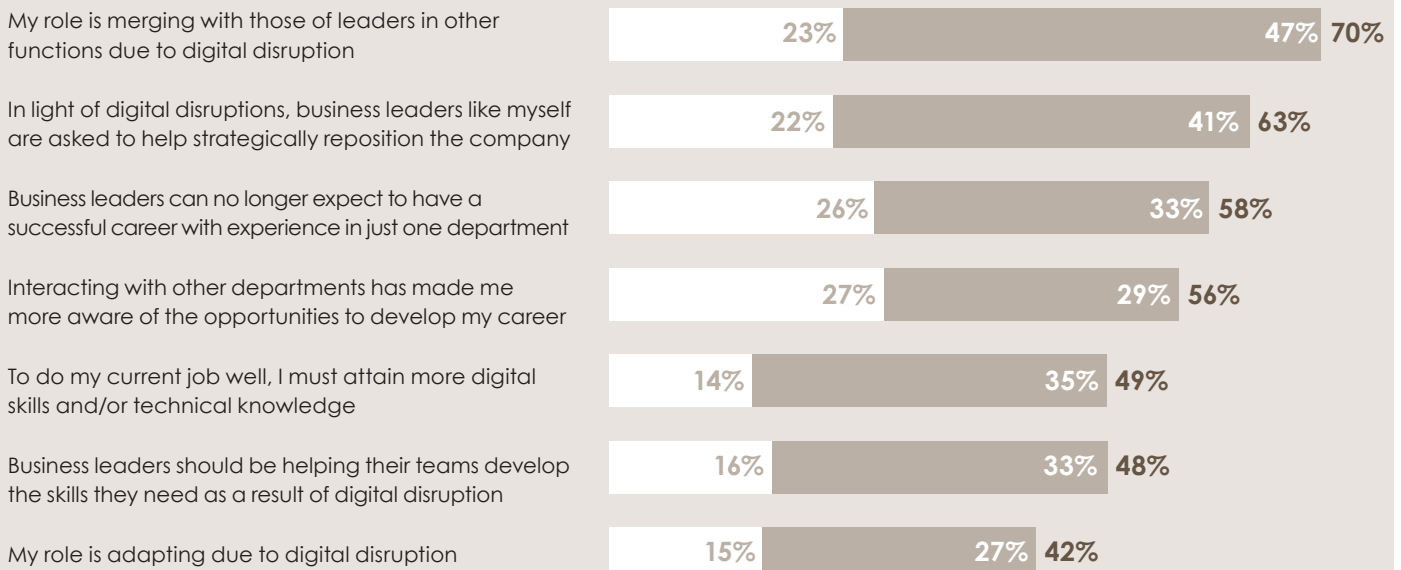
Meanwhile, the emergence of digital technology as the primary channel through which many businesses interact with their customers has challenged the distinction between customer-facing functions such as sales, marketing and customer service.

[2] https://www.bearingpoint.com/files/BEUK14007-Becoming_a_World_Class_Digital_Organisation.pdf&download=0&itemId=128515

Q13: Do you agree or disagree with the following statements with your role as a business leader?
% of executives who agree

NOTE: Percentages may not equal total due to rounding

Strongly agree   Agree

| Statement	Strongly agree	Agree	Total
My role is merging with those of leaders in other functions due to digital disruption	23%	47%	70%
In light of digital disruptions, business leaders like myself are asked to help strategically reposition the company	22%	41%	63%
Business leaders can no longer expect to have a successful career with experience in just one department	26%	33%	58%
Interacting with other departments has made me more aware of the opportunities to develop my career	27%	29%	56%
To do my current job well, I must attain more digital skills and/or technical knowledge	14%	35%	49%
Business leaders should be helping their teams develop the skills they need as a result of digital disruption	16%	33%	48%
My role is adapting due to digital disruption	15%	27%	42%

A full 40% of survey respondents identify improving the customer service experience as a growing priority for their organisation as a result of digital transformation, more than any answer option. Creating an ongoing digital customer experience that attracts prospects, converts them to customers, and keeps them satisfied and loyal requires a combination of all these functions' capabilities, on top of technical skills.

In the survey, respondents were asked to identify which other functions they feel their departments' responsibilities are expanding to overlap with. The most pronounced point of overlap was between marketing and IT, with 49% of marketing leaders reporting a "great extent" of overlap, evidently reflecting the growing obligation for marketing departments to master data and digital platforms. But there was also a widespread sense of overlap between all functions.

When asked which departments respondents need to understand and collaborate with, the marketing-IT connection was also the strongest, with 50% of marketing leaders saying digital disruption requires a great extent of collaboration and understanding with IT. Again, though, the majority of respondents from all functions see the need for a stronger link to all other functions as a result of digital disruption.

Little wonder, then, that 70% of survey respondents agree, whether somewhat or strongly, that their role is merging with that of leaders in other functions due to digital disruption. This proportion is highest among marketing leaders (78%). Furthermore, 33% are more likely to share ownership of projects with other leaders in their company.

From this, two things are clear: that the leaders of tomorrow will need capabilities beyond those associated with their individual functions today, and that collaboration will be chief among those they require.
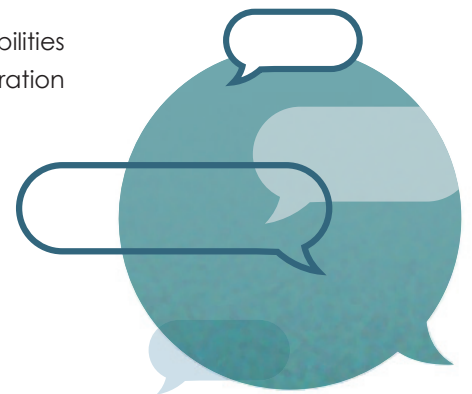
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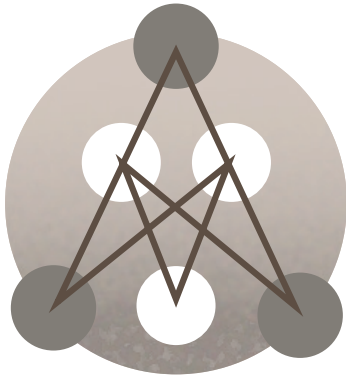
What's needed of tomorrow's leaders?

This backdrop of merging departments is causing career confusion for today's leaders: 48% agree that the blurring of departmental boundaries makes it harder for them to plan their professional progression. And only 38% say it is clear where to focus their skills and training.

Current and aspiring leaders must therefore consider the leadership requirements of tomorrow if they wish to plan their careers more effectively.

At graduate business school INSEAD, Professor Charles Galunic found three types of characters that he believes companies with cross-functional teams working on digital projects need in order to survive in the digital age.

LEADER PROFILES:
IT: at the heart of change

It may not come as a surprise that IT leaders say that the true impact of the digital disruption wave is yet to be felt. As the most vocal function about the positive effects of digitisation, they most often say that it enables their company to deliver a better customer experience (65% v 41% in customer service) and has given the company a competitive advantage (52% v 38% in sales).

These leaders strongly agree their role is adapting due to disruption, and are advocates for digital skills training and work experience in multiple departments. Perhaps most important, digital disruption has left IT leaders confident about their skills and career prospects. And 70% agree that the changes resulting from digital disruption will be actively beneficial to achieving their professional ambitions (v 53% in customer service.)

Q21: Will the changes occurring within your company as a result of digital disruption be beneficial or detrimental to your ability to achieve your professional ambitions?
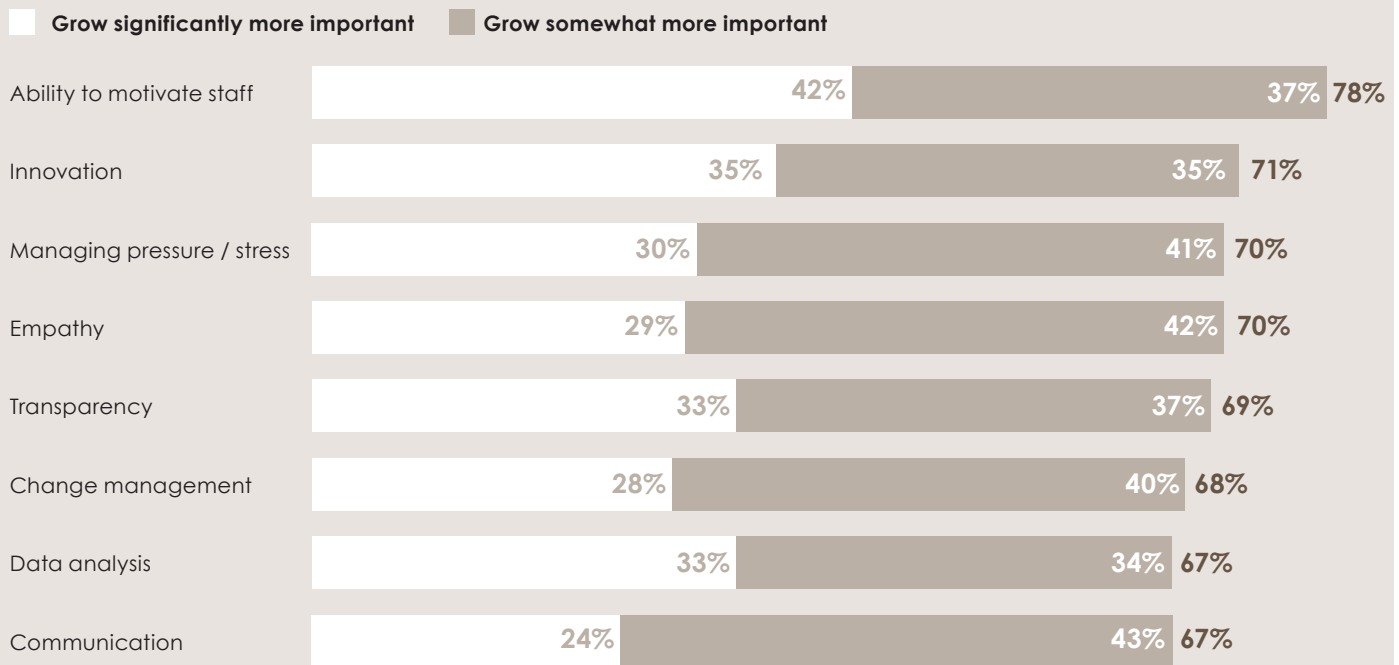*% of respondents who believe disruption will be beneficial*

IT	70%
Marketing	62%
Sales	57%
Customer service	53%
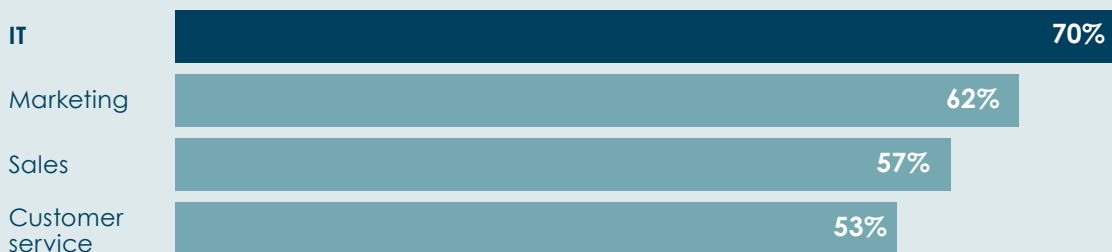
Q10: How will these skills change in importance in the next three years as a result of digital disruption?
*% of executives (top eight responses)*

NOTE: Percentages may not equal total due to rounding

Legend: **Grow significantly more important** | **Grow somewhat more important**

Skill	Grow significantly more important	Grow somewhat more important	Total
Ability to motivate staff	42%	37%	78%
Innovation	35%	35%	71%
Managing pressure / stress	30%	41%	70%
Empathy	29%	42%	70%
Transparency	33%	37%	69%
Change management	28%	40%	68%
Data analysis	33%	34%	67%
Communication	24%	43%	67%

The first type, he calls "the quants"—those who understand data analytics, advanced statistics and coding. The second are "digital natives"—people adept at using digital and social media tools and who know how to reach others using those tools. The third, he refers to as "the suits"—expert project managers and business-minded people, who can put together a business plan and help execute it.

"The big challenge that I see in companies today is having these three entities working together," Professor Galunic explains. "To have all three in the same person is very, very difficult. They may as well be unicorns, because they're almost impossible to find, which means that companies that want to succeed in the digital age must co-ordinate these different people and get them working together effectively."

Indeed, the inability to collaborate with colleagues in other departments could be detrimental to any career, he warns. "It's definitely something that could hurt you. If you don't look over the wall and see what's on the other side, and familiarise yourself with different processes and thinking, then you're going to have a harder time working

78%
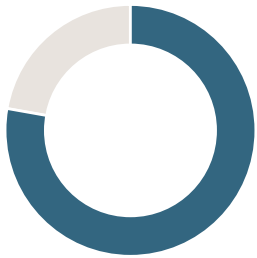
of respondents expect motivating staff to be the leadership skill most widely seen as growing in importance amid digital disruption

on cross-functional projects because, sometimes, you need some of the other camp's perspective or views or tools in order to get innovation up and running."

The majority of survey respondents agree. Two-thirds believe that, thanks to digital disruption, the ability to manage across functions will become a somewhat or significantly more important leadership skill in the next three years. Almost as many (65%) say internal networking will be more important in the near future.

Acknowledging, perhaps, that leading cross-functional teams requires more than simply booking meeting rooms, the leadership skill most widely seen as growing in importance amid digital disruption is motivating staff: 78% of respondents expect it to grow in importance significantly or somewhat, including 85% of marketing leaders surveyed.

Respondents are broadly confident of their abilities to meet these emerging leadership responsibilities: 88% are at least somewhat confident in their ability to motivate staff, for example, and 88% are confident they can manage across functions. This confidence varies little between the four functions included in the study.

They are less confident of their basic digital skills, the survey reveals: overall, nearly half (49%) agree that to do their current job well they must attain more digital skills. IT respondents are most likely to agree with this statement, with 55% in agreement.

In fact, the most essential skill that leaders need in future could be the ability to learn new skills themselves, and to encourage learning within their departments.

"The shelf life of skills today is becoming shorter and shorter," says George Zarkadakis, digital lead at Willis Towers Watson, a global risk management, insurance brokerage and advisory firm. "You may be very skilled in certain areas today and highly desirable as a result, but that set of skills may not be as desirable maybe one or two years down the line without some shifting and refining."

Ambitious executives should therefore be mindful of how—and where—they might develop new leadership skills.

CHAPTER 3

The path forward

Digital disruption is clouding professional plans for current and aspiring business leaders, changing the skills they will need to thrive. Then how should they adapt?

Survey respondents are confident that tried-and-tested approaches to professional development will help them adjust their skills profile to the digital era. Training, for example, will be the most important way to develop the leadership skills required by digital disruption, both provided externally (42%) or internally (40%).
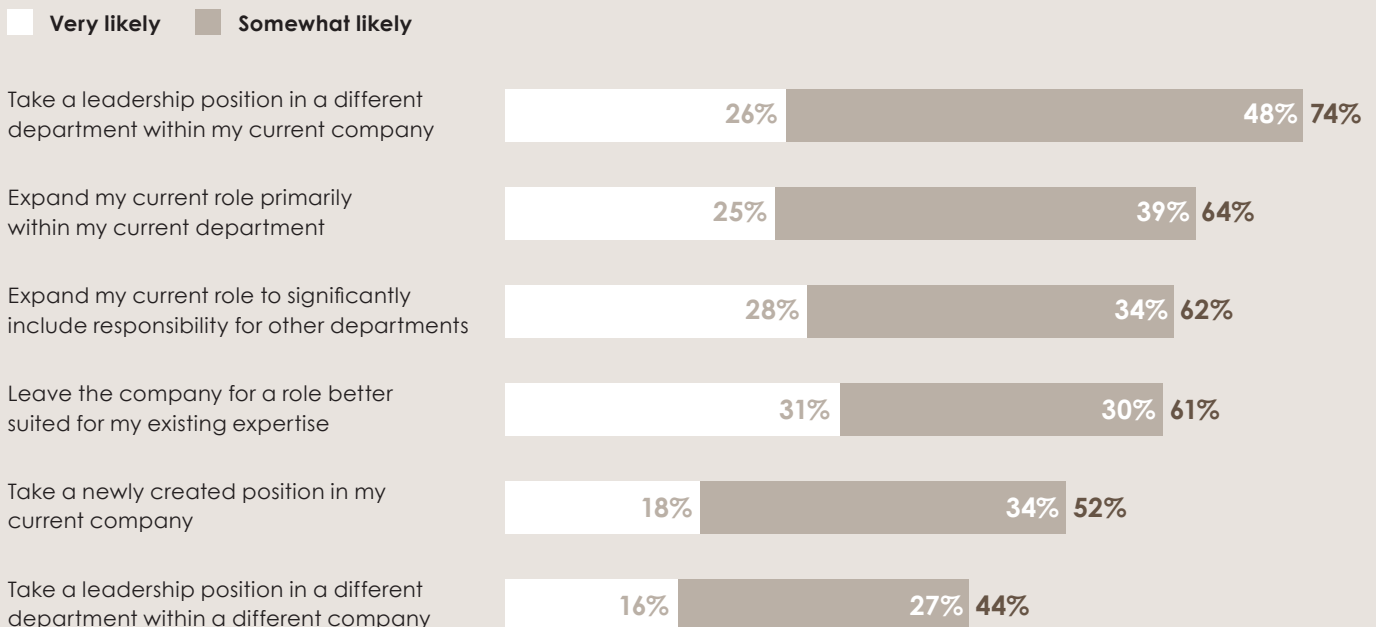
And more than half of respondents (52%) strongly agree that their current role and company provides opportunities to develop those skills. However accessing those opportunities may require some internal movement—37% of respondents say management experience in other functions will be important in helping them develop emerging leadership skills.

Q14: To what extent do you see yourself taking the following career steps in the next three years?
% of executives

NOTE: Percentages may not equal total due to rounding

☐ **Very likely**　■ **Somewhat likely**

Career step	Very likely	Somewhat likely	Total
Take a leadership position in a different department within my current company	26%	48%	74%
Expand my current role primarily within my current department	25%	39%	64%
Expand my current role to significantly include responsibility for other departments	28%	34%	62%
Leave the company for a role better suited for my existing expertise	31%	30%	61%
Take a newly created position in my current company	18%	34%	52%
Take a leadership position in a different department within a different company	16%	27%	44%

In addition, 74% say it is at least somewhat likely that they will take a leadership position in a different department within their company in the next three years. Marketing executives are most likely to believe this (78%).

However, only 32% of unit heads, department heads and manager respondents feel encouraged by the company to progress in their role. More senior respondents in the C-suite feel slightly more encouraged (38%), as do owners, partners and managing directors (48%).

LEADER PROFILES:
Marketing: leading the way

Few functions have been as dramatically impacted by digital change as marketing. A majority (61%) of marketing executives say their company has been significantly or extremely affected in the past three years. As a major user of emerging digital technologies, these executives say their departments have had to become more innovative to meet enterprise-level priorities. And, at a personal level, they more often say they have become more focused on intra-department culture as well as innovation and experimentation as a consequence of these changes.

Marketers also say their personal responsibilities have expanded, overlapped and merged most with other functions, challenging these executives to learn an ever-widening array of new skills.

This merging of roles leads marketing executives to more frequent plans for lateral career moves than is seen in other functions. When asked about most likely future career steps in the face of digital disruption, marketing leaders most often say that they are likely to take a leadership position in a different department within their current company (78% v 72% average of the other functions.) But they also pose a significant talent retention risk: more than two-thirds also say they are likely to leave their company role for one better suited for their existing expertise (69% v 59%) in other departments.

Q12.7: How has the organisational impact of digital disruption affected your role and the way you operate within it?
% of respondents who selected "I have become more focused on the culture within my department"

Marketing	**42%**
Customer service	**41%**
Sales	**29%**
IT	**22%**
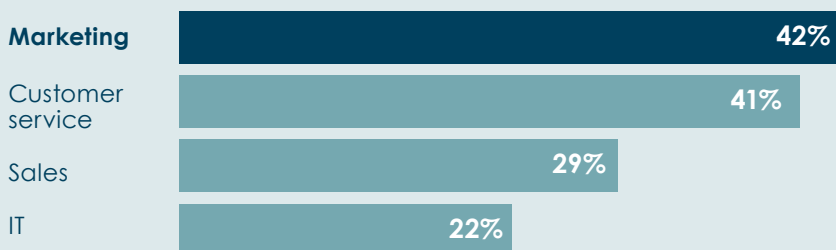
According to Mr Zarkadakis, many companies fail to offer employees the ability to determine their own skills development. "Some companies will be more paternalistic than others, taking charge of training programmes and defining the dimensions for career development—but those companies often fail to satisfy their employees, in my view, because their approach is too prescriptive," he says.

"A more successful approach, which I see some companies experiment with today, is giving employees the choice to select for themselves the skills they want to develop and making those programmes available to them in a kind of development marketplace, if you like."

Certainly, many respondents are looking beyond their current employer in order to develop the leadership skills they need. Nearly four in ten (39%) say management experience in other industries will be important for their leadership development, the third most common response behind the two forms of training. And more (44%) say it is somewhat or very likely that they will take a leadership position in a different department in a different company.

But perhaps fittingly, one of the most likely responses to the career implications of digital disruption is to embrace the blurring of traditional organisational boundaries: 62% of respondents say it is at least somewhat likely that they will expand their current role to significantly include responsibility for other departments.

It is safe to assume that those executives who see the merging of corporate silos as an opportunity to expand their capabilities, and their horizons, will be most likely to find a fruitful career path through digital disruption.

CONCLUSION

Leadership has been well and truly disrupted. In its 2017 assessment of global human resources trends, advisory Deloitte wrote: "Today, many organisations need a completely different kind of leader: a digital leader who can build teams, keep people connected and engaged, and drive a culture of innovation, risk tolerance and continuous improvement."[3]

That will require many executives to step outside of conventional corporate comfort zones, to challenge old ways of doing things and push back boundaries.

This survey shows that many are ready and willing to do that—but it will still take courage, warns Mr Zarkadakis of Willis Towers Watson. "You will need to break things. You will need to deal with resistance. You'll have to push through walls," he says. "But as well as courage, you'll need to be able to create trust, so therefore having a high degree of social intelligence is vital. But we can all develop our characters, we can all become better, we can all improve."

Great leaders have always been expected to succeed in the context of ambiguity, as Deloitte points out, and now is no time to slack. "The role that leaders play will continue to change, becoming even more digitally focused and team-centric," it says. "Despite this challenging environment, leaders will be asked to execute at a higher level—and ensure that their organisations do not lag behind in digital transformation."

[3] https://www2.deloitte.com/uk/en/pages/human-capital/articles/introduction-human-capital-trends.html

"Leaders who see the breakdown of traditional siloes as an opportunity to grow and thrive will be the ones who manage the impact of digital disruption—both on their organisations and their own careers—most effectively."