



## THE TRUSTED ADVISOR

**THE TRUSTED ADVISOR** is our firm's regular publication, featuring not only articles and insights derived from our project work but also guest posts and interviews with leading business figures. They offer food-for-thought and practical advice on a variety of key topics in the leadership, ownership advisory, governance and strategy domains.

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## Leadership 4.0

### Changing requirements on leadership in times of digitalisation

by Dr. Christian Bühring-Uhle and Felix B. Waldeier

Everyone is talking about digitalisation, the opportunities it offers and the fears it fuels. The discussion often concentrates on how to change or even reinvent business models in order to meet the challenges of digital transformation. Typically, the focus is on strategy, sales, supply chain and communication.

Digital transformation, however, does not only affect business models or the use of technology, but above all, it imposes new requirements on organisation and leadership. Fundamentally new forms of cooperation have to be formed, and it is not technology that is the scarce resource in this regard, but leadership. The success of transformation depends primarily on people changing their behaviour – and that in turn is strongly determined by the methods and quality of leadership. Due to the far-reaching and profound changes that come along with digital transformation, resistance levels can be especially high, and resistance is often ingrained, due to inertia and lack of flexibility. People are at the centre of this transformation, which makes it crucial to attract, motivate and lead talented and digital-savvy employees, but also to continuously develop and retain them. The CEO has a particularly important role to play here.

After all, a digitalisation strategy is only as effective as the organisation, and that ultimately means the people who implement it. In the words of Peter Drucker, “culture eats strategy for breakfast”.

A digital culture is characterized by the following main features:

- Openness and customer orientation instead of navel-gazing
- New, constantly changing tasks and roles
- Eagerness to learn and experiment instead of excessive planning
- Constant feedback and perceiving mistakes as an opportunity
- Emphasis on delegation, creativity, autonomy – little control
- Networked collaboration and mobile working
- Team players instead of hierarchical management

In order to build a digital culture, it takes:

- Momentum: A strong leader and visible figure must embody and drive the process and win people over. This can be the CEO him or herself, or some kind of “digitalisation champion” – as long as people are inspired and given enough freedom to take the transformation into their own hands to some extent.
- The right degree of centralisation: Providing the necessary level of efficient resource allocation and standardisation without restraining the freedom required to experiment with digital working methods.

- Agile working: Away from rigid, hierarchical processes and towards fast, interdisciplinary, experimental teamwork.
- A learning organisation: Structures, resources and incentives that make lifelong learning and permanent change central to the organisation's self-image.
- The willingness to "unlearn": Just as important as learning new working methods is to abandon well-rehearsed and well-established procedures, and to be prepared to engage in new approaches.
- A digital talent pipeline: The facilitation of ongoing training and the systematic promotion of digitally thinking and agile young executives.

This transformation might not be easy, as it requires the organization to brace for the "war for talent". Existing employees must be evaluated and developed systematically, and new digital talents attracted continually.

The development of digital talent in corporate management presents a particular challenge. In many cases, external management talent has to be recruited. But in this "new world", the search for digital top executives has become even more difficult. It starts with the fact that it is much harder to define the qualities a digital talent must bring to the table. Classical hierarchical management structures have to be dismantled, "horizontal" collaboration, greater team orientation and working in decentralised teams is becoming more and more important. This inevitably changes the way we work together, and ultimately the way we lead – and the requirements for today's executives.

Job profiles are less clear cut and can also include an increasingly high technology component, which is why in many cases the ideal candidates can no longer be found in the "typical industries" or with a direct competitor. This in turn means that in the search for digital leadership you often have to think "out of the box" and consider atypical candidate profiles (e.g. commercial leaders and non-HR managers to head the HR function). And because business models are changing much faster than before, managers in particular need to be more flexible and have the ambition and ability to adapt to new and unexpected situations and challenges.

A further effect of the paradigm shift in corporate management caused by digitalisation is that managers must be able to deal with "millennials". They work differently, are motivated differently and thus need to be attracted in a different way. In particular, they tend to have a desire for a sense of purpose, meaning that they want to feel good about the consequences of their work. This increases the importance of employer branding and the need to credibly communicate that a new work environment has been created that is aligned with their interests and needs and that is constantly being improved.

Building a digital corporate culture and an attractive "employer brand" for millennials is a big task and can require a significant investment – but it can be a powerful driver for maintaining and increasing corporate value.



## Digital Board Members

### A do's and don'ts guide for traditional Boards

by Carolyn Lutz und Nick Harris

Several editions ago, we had the privilege to interview Frits van Paasschen, who had just authored an insightful and compelling book on the challenges of technological disruption on established business models, "The Disruptors' Feast". Two lines that come early in the book make crystal clear the scale and speed of the challenge: "The digital revolution will make the industrial revolution seem like slow motion... If you don't think digital disruption is coming to you and your profession, you are deluding yourself."

And in our last TTA edition, we looked at some of the challenges and benefits of improving (gender) diversity on Boards.

In this article, we try to draw these two strands – diversity and digital – together, and investigate some of the do's and don'ts for traditional Boards who want (need!) to become more future-oriented, diverse and digitally savvy.

Many (most!) Boards of publicly traded, as well as family-owned businesses simply do not have a considered digital recruitment strategy, and do not fully understand how this talent pool thinks and behaves.

It is critically important to understand that demand for digital talent, whether at the Board or management level, far outstrips supply. And whereas the common, safe assumption used to be that most senior executives would want to take on a Board role at some stage, it is not a given that digital talents want to become a director of even a bluechip corporate. The things that they value most in business life – autonomy, entrepreneurial freedom, openness and high frequency of communication, lack of hierarchy, quick decision-making, fast results – are qualities that they perceive (with some justification) to be lacking in larger or more traditional organisations. One well known digital entrepreneur we spoke to recently described the idea of being in a big group as "torture".

Furthermore, digital talents approached for NED roles will often be sceptical that an organization really has the desire, particularly at the Board level, to undergo a necessary transformation or change programme. Even a cursory glance at the existing organisation can be enough to put them off – another digital leader we spoke to recently about their interest level in Board roles noted, in an incredulous tone, that most current NEDs "can't even be bothered to create LinkedIn profiles". What helps in attracting them is if they already have first-hand experience of a company's products or services, or can otherwise associate with an enterprise's brand or purpose. A "meaty" Board mission or agenda – e.g. transformation, turnaround, expansion – is almost always viewed as being more attractive than a steady-as-she-goes trajectory.

"Like hires like" is a well-known issue in recruiting. This inclination may still persist when "analogue" Boards

look to bring in a digitally savvy Non Exec, but here the risk is that if they start a search process with that bias, they will likely end up hiring no-one at all. The reality is that digital natives often scare traditional Board Members because they do not look or behave at all like the existing NEDs. They are often (much) younger, (much) more outspoken, less polished, and used to greater autonomy. And their CVs show non-linear career tracks, and experience gained from start-up and entrepreneurial businesses rather than big corporates with well-known brand names.

How they will interact on your Board, and what their expectations are of how the Board operates, may well be seen as challenging. It is interesting to note in this context that “digital” hires to the Board over the past decade are much more likely to be female (25%), or born outside the country, than standard NED hires. This may be a case of Boards trying to tick two diversity boxes with one hire, or simply an indication that digital natives as a class are more heterogeneous, international and mobile than previous generations.

Set against this context, we set out some “Do’s and Don’ts” for traditional or monochrome Boards on recruiting Digital Non Executives:

#### DO

- Do be aware of why you are doing this: put simply, more diversity equals better decision-making.
- Digital Board searches need to go wider than those for traditional NEDs – looking at non-traditional functions, internationally rather than just in the local city/country, and further down the organisation chart. Draw on a broader range of background, experience, skills and age to complement, rather than copy, the existing Directors. Contrary to received opinion, NEDs do not need to have been a CEO!
- Do hire more than one: the goal is to build a diverse Board, not to “tick a box” or make a token appointment. The evidence is now compelling that diverse teams are more effective. The Board should therefore be thought of collectively. The ideal composition is a blend and balance of different backgrounds and complementary experience.
- Do listen: digital NEDs can add strategic value to a business by virtue of their different vantage point – spotting new business opportunities that the Board would otherwise overlook (e.g. new customer interfaces, AI and machine learning, employee branding and engagement programmes, acquisition targets), and identifying threats that the Board may simply not be aware of (e.g. cyber security, reputational damage on social media, upstart competitors with disruptive technology).
- Do lead by example as a Board – a digital culture will not automatically cascade down throughout an organisation just because you appoint a new NED. All the Board Members have a role to play as cheerleaders and advocates for the company’s digital future.
- As a Board Chair: be mindful that you set not just the agenda but also the tone of Boardroom discussions, and the rules of engagement. You should devote conscious attention to ensure that all voices are heard, that there is sufficient time for questions and that discussions do not just skim the surface of a topic. With their more traditional Directors, the Chair may have to underline the credo that everyone has an (equal) say. With their digital NEDs, the Chair may have to coach on the communication style that is most appropriate and effective in such a forum (e.g. in plain English rather than overly-technical jargon or too fine a detail).
- It is also a good idea for the Chair to assign the new NED a mentor from among the experienced directors,

to encourage learning (both ways) as well as bonding.

- Companies should ensure they have a comprehensive onboarding and induction programme for digital NEDs. Often a good hire has been lost prematurely not because they were the wrong person but because of early misapprehensions, poor understanding of stakeholder dynamics, and lost opportunities to demonstrate an early contribution.
- NEDs from specialist backgrounds should make a conscious effort to contribute to topics beyond their area of technical expertise. A Directorship should be viewed as a learning experience, and one which will make them better managers in their day-to-day roles.
- First-time Digital NEDs also need to be aware that a Boardroom, especially one of a publicly traded company, will function differently to the management meeting of an internet player. Corporate governance and operational management are not the same.
- And, as a final piece of “do” advice, we would strongly recommend to aspiring Directors that they undertake a formal NED course with a well-regarded institution such as the IMD or INSEAD business schools, or the FT. This is great preparation, both as a primer for what good looks like in corporate governance, as well as a broadening training into areas such as finance, risk or HR that the executive may not have gained prior exposure to. It is also a signaller of intent that they are looking for a NED role and would take such responsibilities seriously. Lastly, being part of a NextGen NED class provides both good networking opportunities and a support community.

#### DON'T

- Don't assume that digital is predominantly an “operational” topic that is beneath the consideration of a Board whose mandate is to outline the “strategic” agenda. Digital is now fundamental and intrinsic to understanding the big picture; a corporate strategy that does not take digital sufficiently into account will be fundamentally flawed from the outset.
- Similarly, don't assume that digital is a topic “just” for your new digital Director; everyone on the Board needs to work on their level of digital savviness. This is a trend that you cannot run or hide from forever. (Tip: Even a Chairman needs to know how to engage with social media – and to have a presentable LinkedIn profile!)
- Set aside preconceived notions that lead to hiring like-for-like: not all NEDs need to have served as a CEO of a large company. Not all NEDs need to have “grey hair”. Accept and embrace the fact that a digital NED is likely to be younger and may have a career track that is atypical.
- Don't hire just one: a lone voice and outlier – whether a digital native, or the only female NED – is too easy to ignore or side-line. It's also unfair on them – they run the risk of being seen only as a narrow, topic expert and not an equal. At best, you won't get the full benefit of their perspective. At worst, they will get frustrated and quickly leave. The composition of the whole Board needs to be carefully considered; this is a materially different exercise to merely swapping out a retiring NED for an identikit replacement.
- Related to the above point, don't assume that any one digital Director will be sufficient if the organisation requires a wholesale digital transformation. The digital universe is now so vast (e.g. social marketing, e-commerce, big data, cyber security, consumer privacy, FinTech, AI, etc.) that no one person can be a deep expert in all dimensions.

- Don't underestimate the impact of cultural or generational differences. The working and communication styles of digital natives may be very (sometimes radically) different. Improving the digital literacy of the Board will pay off for everyone in the long run but don't assume it will always be plain sailing or that everyone will speak the same language from day one. Traditional Directors will need to broaden their vocabulary, and expect more questions about "purpose", "impact", and "customer centricity".
- Last but not least in this list of things "not to do", a piece of advice for first-time NEDs: do not compromise on your values and ethics, or surrender your independence of thought. You were hired for a reason, and – as easy and tempting as it may be to rubber stamp decisions – it is incumbent on you to speak up, to question, to propose new ideas. Diversity of opinion is critically important for a well-functioning and effective Board.

It is worth restating that Board diversity should not be seen as a PR exercise. Put simply, diverse Boards are a proven driver of better decision-making.





## The industry's pace of change has never been so intense

An interview with Jan Zijderveld, CEO of Avon Products Inc.

by Andreas von Specht

*With net sales of US\$5.7 billion, Avon is the second-largest direct selling company in the world. Avon offers products in the beauty, household and personal care categories through its network of nearly 6m Avon Representatives. Direct selling companies such as Avon are facing significant challenges in the digital age; not only are consumers increasingly shifting their purchases online, but technology has enabled brands and retailers to offer more personalized services, a key competitive advantage previously owned by direct sellers. How is Avon going to react? TTA talked to CEO Jan Zijderveld about his mission of change.*

### **What is special about Avon's business model and why do you hold on to the business model of direct selling?**

Unique to Avon is our woman-to-woman network of Representatives ("reps"), our belief in democratising beauty – making the latest trends and innovations accessible to all through value products – combined with our capacity to educate, engage and mobilize. I believe that the power of people selling to people is phenomenal. Our brands are known and appreciated worldwide – with virtually 100% brand recognition in major markets. From our earliest days we have been a business built on relationships of trust and care. Our network of beauty entrepreneurs gives us a direct and genuine relationship with consumers. So the Avon experience really is personal. Our six million reps know and love the products they sell because they use them every day and have a shared passion for innovative on-trend beauty. I have met hundreds of them and they believe in Avon. In a world where trust in companies is becoming a scarce commodity, our Rep's relationship with consumers gives us pricing power, communications power and gives our customers a richly personal brand experience.

### **What challenges is a direct seller like Avon facing and what do you plan to do about it?**

The industry's pace of change has never been so intense. The digital world is faster and networks are wider. But flexing with the times must be part of Avon's DNA. We need to modernize Avon and we need to be bolder and more dramatic – disrupting our ways of working. We need to open up, and start challenging and changing how we work and what we work on. That means rejuvenating the Avon brand, making our products and category portfolio work harder for us, and unlocking the power of digital for our beauty entrepreneurs across the world. Our geographic footprint positions us for growth: the majority of our business is in growing emerging and developing economies. Our main category – beauty – is high margin, high-involvement. And crucially, we are digitizing our business to make it easier for both beauty entrepreneurs and customers to do business with us. Borrowing a page from the playbook of fast-fashion brands, we are transforming Avon to become a high touch, high tech, high impact and fast beauty brand. We're taking a fresh look at everything, with the sense of urgency that you would expect.



## **How are you trying to maintain Avon's business model in the age of digitisation?**

Digitisation is at the heart of our strategy. Social selling is ripe for technology, digital and analytics. We are working intensely to build the right tools to support our 6 million strong network of reps to help them provide a personal service to their customers that is underpinned by strong digital capability. Having no intermediaries between the brand and the consumer and our beauty entrepreneurs is for me one of the biggest opportunities of the Avon business.

What are the individual steps that are being implemented in order to become a "digitized Avon"?

The term 'digital' can be open to misinterpretation and confusion. For us, it means the digitisation of the whole business – from the front-end, backwards throughout the value chain. Avon is undergoing a period of significant change and customer-friendly digital interfaces, supported by an efficient technology infrastructure and rich data analytics, are a key strategic driver of our future progress. We have already launched a fully digitised, mobile-enabled e-interactive brochure, allowing our Reps to connect quickly and effectively with their customers by creating an e-enabled personalised shopping cart that can be shared via WhatsApp and Facebook Messenger – sending the latest trends and products directly to their mobile devices. This includes in-built and real-time analytics for future enhancement and customisation, making it easier to track best-selling products and individual preferences etc. On launch, it received more than 500,000 visitors, with positive feedback from across Avon's network of beauty entrepreneurs. Plans for My Avon Store are also underway. This will allow our e-reps to host their own store and run a fully digital business. Finally, we are very excited about the overwhelmingly positive response to the pilot of our new 'Personalised Beauty App'. This is a revolutionary digital tool that will empower Reps to deliver a whole new level of personalised service to customers – quickly, conveniently and with confidence. Early results suggest that this technology provides a benefit that really resonates. We're solving a problem and that's powerful.

## **You are talking about a major shift of the Avon business model. Did you need to exchange your top management team to implement this soft digital revolution?**

We have continued to inject new talent and capabilities into the business. This includes the newly-created role of SVP, Chief Digital & Information Technology Officer. Benedetto Conversano is an outstanding talent and we will benefit from his consumer-focused digital, technological and operational skillset. He will be responsible for developing a new digital strategy as a foundational element of Avon's future plans, while building, developing and standardizing technology solutions and delivery across the global organization. We are committed to radically rethinking how we exploit digitalisation as a game changer – evolving to become a fast-beauty brand for the omnichannel world. So our new Global Sales Organisation is also key, made up of leading experts to be deployed directly to markets for immediate impact. Focusing on enhancing the Reps experience and service model evolution, Reps segmentation, field sales excellence, commercial optimisation and entry strategies for new territories, it will use data driven insights to tailor the training and incentives that fuel Avon's beauty entrepreneurs. We know that improving earnings potential, expanding learning opportunities and scaling best practice are fundamental to achieving our targets and sharpening Avon's competitiveness. We are building the right structure to institute a rigorous performance culture, one where we dramatically step up accountability for end-to-end execution and results.

## **Did you create something like a 'digital advisory board' of external business leaders and/or experts with deep experience in digital organization and transformation – or are you managing the transformation process on your own?**

As part of our digitalisation ambitions, we are building a new "digital board" comprised of digital, commercial

and other business leaders. Benedetto's role includes being Chair of Avon's new Digital Board, which is essentially accountable for Avon's digital transformation. The Digital Board will work closely with Avon's Board of Directors and Executive Committee, in order to boost growth and keep digital at the forefront throughout the business.

**Digital is transforming everything from consumer behaviour to employee engagement. What is the cultural change at Avon that you expect to see in the course of your transformation?**

Avon is a very strong brand with a sense of warmth and likability that is really, really powerful. But at times our culture has been too internally focused and siloed. Everything is up for grabs. We're going to be a simpler, faster, more agile business. And this starts with a different mind-set, one that is open to re-assessing the assets, infrastructure, partnerships and alliances. So the transformation already underway marks a shift away from a cumbersome and quite closed business to a nimble and open company. In other words, we are going to open up this company.

**Many traditional companies are having to shift focus from top line to bottom line, further complicating the imperative of investing for the future. Further, they are at a stark disadvantage compared with start-ups, whose investors are willing to forego profit for growth. How do you resolve this conflict of aims?**

I know the start-up methodology inside out and it is key. Everything is done in 2-week sprints, with clear KPIs and a tight PMO. That is how we are working as we accelerate to become a fast-beauty brand. We are investing in commercial initiatives, digital and IT infrastructure, and we are on track to stabilize our financial results and achieve our goals of low-single digit revenue growth and low double-digit margins by 2021.

**Consumers are no longer isolated entities; instead, they move in self-organizing groups. The membership and subscription-driven business models tap into this desire to belong, even at the price of sharing personal data. Do you see this happening at Avon as well?**

Avon believes that it is hearing the stories of our consumers – the deeper stories, the ones that go beneath the surface as well as above it, will give us our biggest connections and our biggest breakthroughs. Today's consumers are stressed, busy, overwhelmed with information, and they are looking for brands to address their unique needs. The beauty consumer of tomorrow doesn't want to have to tell you how she wants a product to make her feel; she will expect you to already know. She will be buying into brands to facilitate meaningful connections to lifestyles and beliefs. She wants to feel as if her products have been made just for her. Connections and conversations are, and always have been, at the heart of Avon. That direct contact with consumers means rich data, analytics and the personal approach to beauty that enables self-expression and inspires confidence that is grounded in the everyday experience of millions of women.

**The rise of millennials is driving significant shifts in consumer expectations. They demand transparency and immediacy, and place little value on brands. How is Avon trying to embrace this segment?**

In today's market, authenticity is everything. Which makes it vital for us to innovate and tell our story better. We are proud to be empowering millions of micro entrepreneurs globally, giving them the tools to work in their own way and on their own terms. Avon is much more than a business – it's a movement of women. With major sweeping social change afoot, we believe the future is full of possibilities for women, and our beauty entrepreneurs are in turn helping to reinvigorate our core purpose as a business. Interestingly, in the last 12 months, 45% of the women who have joined us are under 30. Those front-line Reps are also vital to the insights that feed breakthrough innovation and we are now delivering the newest trends faster than ever.

For us, it's about democratizing beauty, making it accessible by bringing our customers great products and the latest trends and technology at amazing value. Premium skincare is growing very, very fast so that's a key focus. Asian beauty, Korean beauty, Japanese beauty are all huge, particularly for the millennial audience. So we are going to really look at those growth segments and go after them. Beauty is becoming increasingly complex but it is interesting that the sometimes-fickle millennial market can actually be very loyal brand consumers, especially where a brand is grounded in strong values.

**You joined Avon from FMCG giant Unilever. What are your personal challenges to succeed in this mission (almost) impossible? Did you need to adjust your own style and modus operandi?**

After 30 years in Unilever, having lived in seven countries, many different parts of the world, seen many, many different businesses, many different challenges and cultures, I see Avon as a business with a potential which is difficult to overstate. I love a challenge and my modus operandi has always been to do what is worthwhile, not what is easy. Can we get this business back on the front foot and drive it to the next level? Absolutely. That has to start with a deep understanding of the root issues facing this business as well as the key strengths to leverage for the future. Avon needs a fundamental reset, and that will need time, but we're well on the way.

**Jan, thank you for these insights!**



## **AvS News**

**Recent news and developments at  
AvS – International Trusted Advisors**

The past months were marked not only by interesting client projects, but also by exciting developments within our firm that we are delighted to share with you in this edition of THE TRUSTED ADVISOR.

### **First Industry Advisors to join AvS in 2019**

We are currently inviting a small group of senior “Industry Advisors” from several countries to join AvS – International Trusted Advisors as of 2019. Former industry CEO’s, CFO’s, Senior partners of global professional services firms and active NED’s have agreed to consider joining an in-house board to act as sparring partners and sounding-boards to our partners – and ambassadors for our firm in their respective markets.

### **Global cooperation with PwC and INSEAD**

An agreement has been reached between PwC, INSEAD (Wendel International Centre for Family Enterprise) and AvS – International Trusted Advisors to conduct a global study with qualitative and quantitative research on the subject of “Making external leadership successful in Family Businesses”. Our findings will be published 2020 in several languages, used in educational activities and presented in round-tables and other PR-related events to present around the world.

### **News from our Latin American practice**

In September, our Partner Christian Bühring-Uhle acted as a juror for the final strategy projects of the MBA class of Universidad de Los Andes, Colombia’s most prestigious business school.

Please feel free to share any articles or entire editions you feel may be relevant with your colleagues or clients. All articles and editions can be found here:

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