

# BUSINESS TRANSFORMATION

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TRANSFORMATION



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TRANSFORMATION

# Change is the new normal

Transformation projects used to be singular events; now change is an everyday part of life so businesses and their leaders constantly need to adapt to thrive

Duncan Jefferies

Jack Welch, former chairman and chief executive of General Electric, knows better than most how change can affect a business. “When the rate of change on the outside exceeds the rate of change on the inside, the end is near,” he wrote in GE’s annual report at the turn of the millennium. It’s an observation that seems even more pertinent now than it did then.

When Mr Welch made the remark there were no smartphones, Mark Zuckerberg was just another high school student and the Twin Towers were still standing. Today the fourth industrial revolution is disrupting entire industries, climate change is a serious threat to supply chains and political turmoil is part of everyday life. In other words, change is the new normal.

“What’s really clear is that change has accelerated exponentially over the last couple of decades,” says David Holliday, a partner at Gate One, a digital and business transformation consultancy. “Meanwhile, you have all these organisations that are trying to make sense of what it means for them, and what it means for their leaders and their people.”

One way to figure out where to focus your efforts is to create two engines that sit alongside the core business, says Mr Holliday. The first engine drives the exploration and incubation of new ideas to identify what might be important to the business and its customers tomorrow; the second embeds any proven concepts within the organisation. However, this approach can be “fascinating but very unsettling” for leaders, he warns, because there’s “a lot of trial and error” involved in making it work successfully.

Generally speaking, he’s found there’s a clear distinction between organisations when it comes to disruptive innovation. “They’re either at the forefront, driving it with a positive mindset and treating it more as an opportunity, or they’re on the back foot, seeing it as a major threat to their resilience,” he says.

Leaders of the latter type may have reached their current position not because they excel at leading change, but because they have a deep understanding of today’s business environment. In fact, they may not feel well equipped to deal with continual change and disruption. But as Irene Molodtsov, chief executive of business transformation



consultancy Sia Partners UK, says: “Change is not a one-off activity. It’s business as usual.” So these leaders may simply have to learn the right skills on the job.

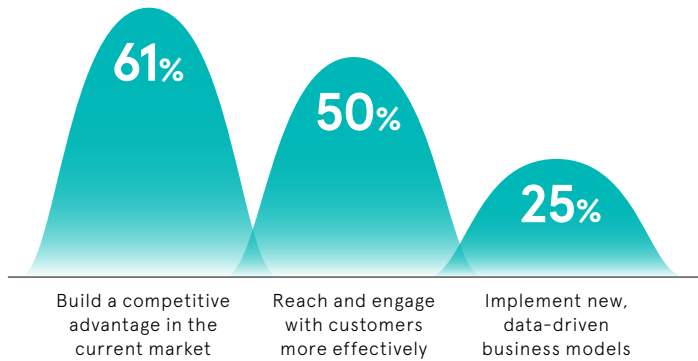
Bernd Vogel, professor in leadership and director of Henley Centre for Leadership, says that first and foremost they need to be clear about what areas of the business they want to remain stable and what areas they want to change faster, as well as which business capabilities they truly want to improve. “In many organisations change can take on a life of its own and then it can become a burden,” he says. “The key that actually connects why you’re doing it gets lost in the detail of the process.”

In addition to setting a clear vision of how the organisation needs to change and why, the energy and passion with which leaders apply themselves to business transformation plays a vital role in its success. “When you’re communicating a vision it’s like an input,” says Professor Vogel, “and it’s really important to ask: ‘Have we actually created a spark? Has that vision landed with every manager? Have they formed an attachment to it? And are they empowered to contribute to it?’”

When resistance to the vision occurs, it’s often not because people don’t believe change is necessary, “but because they don’t think that the action, the attention, the

TOP THREE OBJECTIVES OF DIGITAL TRANSFORMATION

Cross-industry survey of decision-makers



Constellation Research 2018

commitment is behind it at the top level”, he adds.

Companies that place an emphasis on long-term innovation, supported by every member of senior management, are far more likely to succeed in a climate of perpetual change, says Darren Fields, managing director for UK and Ireland at Citrix, a multinational software company that provides digital transformation solutions. They should also acknowledge that some individuals will be more comfortable than others when it comes to experimenting with new technologies and processes.

“By supporting such ‘innovation champions’ or ‘intrapreneurs’, who aren’t always at the senior level, but have the skills to identify and put new processes into practice, and giving them room to make mistakes, organisations set themselves up to discover new and more efficient ways of performing for their customers or users,” says Mr Fields.

Many successful business transformation strategies also draw on insights from the organisation’s partner network and sometimes involve new partnerships with start-ups or other organisations. “The more that they’re looking at a range of both internal and external ways to bring in new ideas and properly test them, the better,” says Gate One’s Mr Holliday.

While Ms Molodtsov at Sia Partners UK believes innovation partnerships can have many positives, she says businesses need to think carefully before embarking on them. “You have to make sure that your values and your vision are aligned,” she explains.

“When people representing different value sets and different ways of doing things say ‘we’re going to go to market together’, people instinctively start cutting up the invisible pie. They start talking about how something is going to look and how they are going to co-brand it, when what they should be focused on is the market. Go out, pilot something and then, if it’s successful, you can start having those conversations.”

The pace of change will no doubt generate many more of these conversations in the future as companies look to respond quickly to new desires and demands. Although it’s impossible to predict exactly what these will be, one thing seems certain: if the rate of change on the outside an organisation currently exceeds the rate of change on the inside, it’s unlikely to be around to fulfil them. ●



## LEADERSHIP

# What it takes to be a transformational leader

Transformation is nothing without the right leadership, but what does the leader of tomorrow look like, and how can they create teams that are truly adaptive and prepared for change?

Fran Cassidy

**T**he nature of business is changing as new generations enter the workplace and emerging technologies continue their meteoric rise. Organisations must now contend with machine-learning, cloud computing, the internet of things and an increasingly multi-generational workforce. Businesses must transform. And for this they need a transformational leader.

Many of the characteristics of a transformational leader reflect the new times we live in: they should be nurturing when it comes to their staff, open about the decisions they make and willing not to be the smartest person in the room. However, driving transformation still requires leaders to be the bold



**Think of culture as your circulatory system; if you can't keep the blood flowing, you die**

visionaries we have seen in the past. Charisma can be the difference between transformation success and failure. The process requires buy-in from everyone, from junior staff to the board of directors, and securing this is considerably easier if the

leader can articulate the "why" of transformation. Transformational leaders must be storytellers, able to communicate their own enthusiasm, inspiring staff to want change.

"Leaders need to be adventurous," says Rita Trehan, chief executive of global transformation consultancy Dare. "They should have the ability to look beyond what is known and cherish not having the full picture because this necessitates experimentation."

It is this drive for something new and better that can bring energy to a change programme. Sophie Devonshire, chief executive of strategic consultancy Caffeine, agrees. "Transformation doesn't come from bullet points and rational financial data, but from a sense that the organisation is changing in a way which employees can feel positive about," she says.

So critical is business transformation that many companies have created a dedicated role to oversee it: the chief transformation officer (CTO). This role sits above both the chief technology officer and the chief operations officer, and is responsible for running interference between technology and people.

"A transformational leader needs to own the end-to-end outcomes," says Nagaraja Srivatsan, chief growth officer at operations management company EXL, "and they need to be ambidextrous when it comes to understanding both the human and the technological.

also be that it doesn't suit their interests." People make organisations, so weeding out those who will be detrimental to a project's success is just as crucial as identifying those with the capability and desire for change.

One school of thought says you do not "lead" transformation projects in the traditional way. You identify the right people, set goals, ask pertinent questions and then leave your team to roll the project out. You are there to add momentum and vision, not to hand hold.

"We can see this with Jeff Bezos at Amazon; what he has done really well is build a strong leadership capability," says Ms Trehan. "The business side of Amazon is growing exponentially, and Bezos has made sure to have capable leaders in place. This is the sign of a true transformational leader; they ensure that not all of the responsibility sits with them. If it relies on one person, it's impossible for a company to grow."

The people element of transformation is not simply limited to your allocated transformation team, it also requires you to get the whole company behind your initiative. "Think of culture as your circulatory system; if you can't keep the blood flowing, you die," says Ms Trehan.

This means the plan for change should be communicated clearly from the earliest possible moment and feedback must be welcomed. "The most effective thing," says Mr Srivatsan, "is to identify people with a learning mindset and turn them into 'change agents', evangelists who can show people how the change will make things better."

Transformation involves turning traditional workplace hierarchies on their heads and creating opportunities for new leaders to step up. Particularly in terms of digital transformations, positions of responsibility are increasingly going to digital natives, who tend to be younger than the traditional senior management team.

"Companies are turning to the next generation of leadership," says Alex Shootman, president and chief executive of work management platform Workfront. "It's no longer the vice president of an organisation being given problems to solve, but someone who

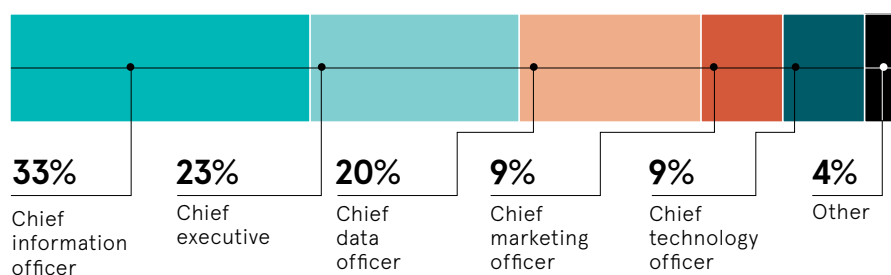
A CTO can help to integrate the operations and the technology teams more closely, allowing for constant experimentation."

Transformation happens when technologies and people interact, but this is also where anxiety arises. Much of employees' resistance to transformation comes from the fear they will be automated out of a job. Transformational leaders must present a different picture, one where mundane tasks are automated leaving employees free to do more exciting work.

"A lesson I've learnt, however, is that you have to live with the fact that some people simply will not be part of the team," says Peter Oswald, chief executive of global packaging firm Mondi Group. "It might be that they are too conventional, or too traditional to understand, or it could

## PERSON WHO LEADS DIGITAL TRANSFORMATION PROJECTS

Cross-industry survey of decision-makers



Constellation Research 2018



has a technological solution and, if it works, they get promoted. If you were to put ages next to these new leaders, they are all in their early-30s; it's exciting."

Creating a strong leadership team, however, does not mean bowing out entirely. A transformational leader is responsible for keeping the project on course and aligned with the transformation goals.

"Conscious pace-planning is an essential responsibility for one very simple reason: some things should be done fast while others need to have more time made for them," says Ms Devonshire.

"One global CEO of a multinational organisation I spoke to said that if you are initiating change, assume a year for every layer in the organisation to transform."

Mr Oswald agrees: "Sometimes you have to be patient. There is always time pressure, but you have to think things through properly and make sure there is conviction, not just superficial agreement to an idea. In other instances, you simply have to press ahead or the whole process will take too long. Being a leader means knowing how to weigh up the value and risk of each."

Ultimately, a transformational leader is one who can future-proof their organisation and make it

more efficient, while preserving the culture and maintaining employee engagement. Their ability to do this rests on a combination of qualities and skills, but fundamentally comes down to mindset.

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Ultimately, a transformational leader is one who can future-proof their organisation and make it more efficient

"The leaders who are really effective understand that human dignity can be fulfilled by work," says Mr Shootman, "so they take time to manage it like it matters. Frame the transformation, make sure people know why they're doing what they're doing. Treat work like it's worth doing." ●

# Powering technology transformation with cultural agility



**Jonathan Kennedy**, the investments technology director behind Standard Life Aberdeen's IT merger, talks transformation, technology, talent management and cultural complexity

## Five steps to being a better leader

1

### Set goals

Not only with transformation, but with all projects, it is important to establish the "why" of work and to break it down into small, manageable steps. Make sure staff understand why the end-goal matters and what they can do to help achieve it.

2

### Fail fast

Leaders should embrace an entrepreneurial mindset: a determination to find simple solutions to problems and new ways to make things better, quickly. This can only happen if you create a culture which rewards risk-taking and forgives failures.

3

### Prioritise people

Staff are your greatest asset, so you must ensure your employees care about the work they do, feel free to express their feedback and are motivated to do the best possible job. The key to this is openness.

4

### Stay informed

Keeping an ear to the ground will both help you keep abreast with what your competitors are doing and teach you about new technologies and processes used in other industries. This should, in turn, make it easier to come up with new visions for your organisation.

5

### Be humble

The best leaders are content not to be the smartest person in the room or the one with all the answers. Surround yourself with capable experts, and be prepared to listen to others and draw on their expertise.

**S**et against a backdrop of technological innovation, evolving customer expectations and a stringent regulatory environment, the Standard Life Aberdeen merger completed in August 2017. But this is one transformation that remains firmly in the spotlight.

Underpinning the group's investment business, which manages a portfolio of more than £500 billion, is the Herculean task of merging two IT infrastructures over three years. "As a regulated financial business, we have a duty to strike the balance between delivering change for the future, while maintaining 'business as usual' to protect and serve our customers," says Mr Kennedy. "Essentially, we're servicing a jet aircraft while it's in flight. That demands people with the quality and calibre to cope with an incredible volume of work."

Harnessing the skills and talent to deliver this complex task is a primary concern as is leading that talent effectively. "You have to be totally focused on prioritising the outcome," he says.

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Injecting partnership expertise from other sectors and larger programmes is a very effective way of developing your core competencies

"If you don't adhere to that principle, you risk wasting huge amounts of time, money and capacity. Iterative, agile working is extremely useful to break a monumental workload down into manageable chunks, but across those agile principles there must be strength and clarity of leadership driving the overall goal. It's like an orchestra. Everyone has their own instrument to play, but to produce the music you need a conductor."

Behind this overarching principle lies a level of transformational complexity that represents the predominant challenge in Mr Kennedy's role. "When you're working on a merger like this, you inherit a rich and diverse talent pool in terms of skills, backgrounds and experience, but it does make the talent management side extremely demanding," he says.

"We adopt a creative blend of skills development, from graduates trained specifically in our systems to refresher and coaching training for our IT leaders. The technical skills are relatively easy to embed. It's by focusing on the softer skills in our teams – listening, negotiating, asking open questions, challenging, establishing a 'fail fast, learn fast' culture without threat of reprisal – that we've developed the edge."

Internal talent has also been augmented with the input of partner organisations which, Mr Kennedy explains, have an invaluable role to play in shining an interrogative light on the IT transformation strategy.

"Injecting partnership expertise from other sectors and larger programmes is a very effective way of developing your core competencies," he says. "These consultancies have the capacity to pilot in with fresh eyes, offer a provocative perspective and introduce

new ways of thinking that reach beyond the historical mindset. It doesn't mean that we don't trust our own people. It simply means that we remain open minded to the possibility of new and better approaches, which can then be embedded into our internal capacity."

The overall picture highlights the changing role of IT in business. "In IT, our mission to get closer to the business has actually been going on for many years. Now we must challenge the business to get closer to the technology," says Mr Kennedy.

"This is a hugely exciting time for IT as we experience an unprecedented convergence of technology ecosystems. Digital connectivity, cloud, mobile technologies: they're all revolutionary, but none of them function fully in isolation. It's the explosion of technologies operating in synergy that drives opportunities. It's our responsibility as IT specialists to educate the wider business, to get stakeholders and leadership excited about what's possible, to shift them away from costly, immovable 'crown jewel' legacy systems and into a new era of faster, more cost-effective and secure transformation. If we can crack that, we're well on the way to harnessing the commercial potential that tomorrow's technology offers."

**Standard Life Aberdeen's IT transformation is supported by Mason Advisory. Find out more at [www.masonadvisory.com](http://www.masonadvisory.com)**

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## AGILITY

# The importance of being agile at every level

Implementing agile ways of working at scale is tough, and requires dynamic leaders and a corporate culture that embraces change

## Karam Filfilan

In a volatile world characterised by uncertainty, being agile is vital to business survival. No longer can boards rely on the traditional command-and-control style of leadership, with the next generation of workers expecting input on decision-making and valuing purpose in their jobs. At the same time, technological innovation is changing how, when and where we work.

According to McKinsey senior partner Aaron de Smet: “Agility is the ability of an organisation to renew itself, adapt, change quickly and succeed in a rapidly changing, turbulent, ambiguous world. Agility is not incompatible with stability, quite the contrary. Agility requires stability for most companies.”

Traditional hierarchical structures and layers of management can impede progress towards agility that is needed for businesses to evolve. There’s no point building a

business for the 21st century with a management model stuck in a past age.

But change is a slow process. McKinsey’s 2017 global survey, *How to Create an Agile Organisation*, shows that out of 2,500 businesses only 4 per cent had completed a company-wide agile transformation. However, three quarters believed organisational agility was a top-three priority and just under 40 per cent were in the midst of an agile transformation.

So how can business leaders successfully implement agile ways of working and what impact does this have on culture? For Atif Sheikh, chief executive at consultancy business threezero, it starts with the whole notion of leadership.

“In most organisations, leadership seems to have become a solo endeavour. However, the complex challenges facing business demands teams of leaders working in concert, not individual heroes,” he says.

Getting buy-in from all levels of management is key to creating the emotional commitment needed to transform business towards agile ways of working. To do this, Mr Sheikh believes middle management must be involved in both setting the transformation strategy and also carrying it out.

“You can’t design strategy by consensus, but once middle managers are committed, they should lead the effort to make the transformation happen. Success lies in a few key moments that matter and incredibly small details make the difference. These can only be spotted by the teams that actually do the work,” he insists.

One organisation that has transformed its processes to bring in agility at scale is Swedish telecommunications company Ericsson.

The company’s digital services division manages networks for approximately 40 per cent of the world’s mobile phone traffic, employing more than 2,000 people. Between 2008 and 2014, the entire department, then known as business unit networks, went through a transformation to embrace agile ways of working, with the aim of improving the time it took to get products to market and the speed at which it could make changes.



**Success lies in a few key moments that matter and incredibly small details make the difference**

# 58%

of decision-makers say that internal resistance to change is a factor impeding digital transformation

Constellation Research 2018

“When we started our transformation in 2008, our business was running well, but there were several issues relating to time to market and return on investment that we had tried to improve over several years without significant success,” says Hendrik Esser, special projects manager in Ericsson’s digital services division and one of the leaders of the transformation programme.

“Previous attempts were driven by sub-organisations working on their part of the process, resulting in a lot of activity but little outcome. We understood that real improvement can only be achieved by working across the entire organisation.”

To achieve this, Ericsson implemented cross-functional teams focused on particular projects. Each team worked towards both group and organisational goals and incentives instead of individual targets. Also Mr Esser moved away from management-level steering meetings towards high-frequency cross-functional team meetings, where issues could be resolved more dynamically.

With agile management, Ericsson now has more than 100 small teams working on projects in short three to four-week cycles. According to Mr Esser, this agile way of working has led to faster feedback, quicker development and, ultimately, higher revenue as Ericsson deploys projects ahead of schedule.

Crucially, implementing agility means the entire department has a new attitude to change. “Previously, we had heavy and slow change management procedures, handling hundreds of change requests as each project launched. Now we handle changes ad hoc by collaborating and sorting them out. Change has moved from being fought to becoming everyday business,” he says.

At Ericsson, implementing this culture change started from the top. The affected leadership team received agile coaching before the rest of the organisation to ensure they were a step ahead in their understanding. Then Ericsson identified middle-management coaches from each project team who attended coach-the-coach camps for three months before returning to their team to train them in the new systems.

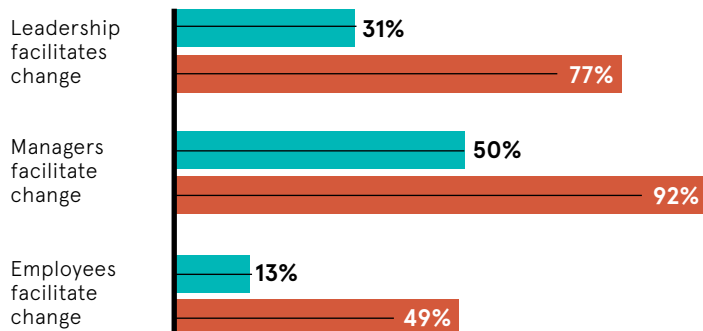
“These people are still connected today in an informal coaches network and have an aligned understanding of an agile company culture and practices. This allows them to drive transformation in

## PEOPLE WHO FACILITATE CHANGE, BY DIGITAL MATURITY

At digitally mature companies, people are more likely to facilitate change than inhibit it

● Early-stage digital companies ● Digitally maturing companies

Percentage of executives who say...



Deloitte 2018



## TOP FACTORS KEEPING DIGITAL TRANSFORMATION LEADERS AWAKE AT NIGHT

Cross-industry survey of decision-makers



Constellation Research 2018

their teams, adapting to the local culture while ensuring we're aligned on an organisational level," says Mr Esser.

Implementing agile ways of working in larger organisations can be tough. Mr Esser concedes that agile working was seen as something that might not work for companies of Ericsson's size when he began researching it in 2008. So what can business leaders learn from the startup world, where agility and adaptability are often ingrained?



**People don't all have to agree to be successfully agile; what counts is the ability to welcome intellectual challenge, discuss the right outcome and make fast decisions**

Founded in the UK in 2012, Onfido is an ID verification platform that has grown from three founding members to more than 200 employees across the UK, United States, India, Singapore and Portugal. This rapid expansion means agile thinking and experimentation is an essential component of its culture, according to interim vice president of human resources Ruth Penfold.

"When you are building a new business, you have to be prepared to experiment. Many businesses start out as one thing and go on to become something else. When you are investing the kind of blood, sweat and tears needed for a startup, having that emotional detachment to

make a change is incredibly brave," she says.

"People don't all have to agree to be successfully agile; what counts is the ability to welcome intellectual challenge, discuss the right outcome and make fast decisions."

Onfido's entire model operates on cross-functional teams working collaboratively to deliver projects. This creates a more empathetic and empowered workforce, where colleagues are sensitive to the challenges each faces and are able to ensure those closest to a problem are involved in solving it. And while an organisation's size can be a barrier to agility, ultimately it comes down to the culture and structure you implement, argues Ms Penfold.

This means ensuring a variety of voices are present and heard at the table when considering what direction the business should take during transformation. And while all these voices may not be involved in the final decision-making, ensuring they have been heard means you have all the data needed to get as close to the correct decision as possible.

"The people who are closest to a problem are almost always the best ones to find a solution. The clever startup understands this and gives space to innovate and make decisions. A clear roadmap helps to give an overarching steer, but the true nature of agile working is that you have to be prepared for things to change, and fast," says Ms Penfold.

Implementing agile ways of working at scale is not an easy task, but too many businesses have become lost in corporate jargon and doomed attempts to become something that doesn't fit their culture. Business agility is about adapting organisations to meet future challenges. Doing so requires implementing a culture accepting of change that empowers employees to make decisions. But it's also about creating a structure that allows this to happen. As McKinsey says, the truly agile organisation is both dynamic and stable. ●



# How to thrive in the age of disruption

A brief guide to unlocking your company's innovation potential

**R**evolutionary technologies, such as artificial intelligence and the internet of things, are rapidly emerging and enabling businesses to transform their operations from the ground up, leaving organisations that don't embrace these innovations on the back foot.

Faced with such relentless change and ambiguity, leaders need to ask challenging questions of themselves and their teams to secure the future of their company. What's my role as a leader to drive more innovation into my organisation? Is innovation a regular conversation in the boardroom? How can I make it safe for our people to think out of the box and challenge the status quo? Perhaps most importantly, how can I plot a course through this uncertainty and ensure my organisation benefits from the latest advancements in technology?

"Leaders who will thrive in this age of disruption will build two separate, but integrated, engines that sit alongside their operations: one that looks at innovation and incubation, and another focusing on transformation," says David Holliday, partner at Gate One, a leading digital and business transformation consultancy.

The innovation engine is about systematically finding, prioritising and testing new ideas that have the potential to transform your organisation in the future. It's all about controlled experiments to find and prove new sources of value, both through your own people and via a range of external partners and sources.

"Once an idea proves successful, as a leader it's vital to rally your organisation and make space to successfully launch them. This transformation engine is then the place where you deliver the real value from the innovation, which means the bridge between these two engines is really important," says Mr Holliday.

"Successful ideas can often get caught in a pilot trap where a great deal of experimentation takes place,

but no actual launches are committed to by leadership. Left unchecked this can soon sap the morale out of those tasked with innovating."

Gate One collaborated with a FTSE100 FMCG (fast-moving consumer goods) company to ensure they had a fully formed innovation strategy and approach, leaving the dreaded pilot trap behind. As a global multi-billion-pound company, this firm urgently needed to address declining sales of new product innovations.



**To thrive leaders will build two sustainable and integrated engines; one that generates innovation and the other delivering business transformation**

"The leaders at the business were helped to develop a more targeted innovation strategy and process, which put customer insight and early minimum viable product, or MVP, testing at the heart of the development and feedback process, while developing a roadmap of breakthrough and disruptive innovations, such as digital products and services, into their portfolio," says Mr Holliday.

There is no one-size-fits-all approach for creating a successful innovation engine and strategy, but the first step is to demystify innovation and define exactly what it looks like in your organisation. A recent UK Innovation Survey

discovered that almost 50 per cent of businesses found their own internal organisation to be the most important source of innovative ideas, indicating the value of seeking out insight and empowering your frontline employees.

Systematically finding fresh ideas and experimenting with emergent technology is, of course, extremely valuable, but is only half the story. As a leader, you also need a sustainable transformation engine to launch and scale proven ideas into your business repeatedly, and achieve the all-important benefits.

Several major housing providers have enlisted the help of Gate One to design and launch pioneering customer omni-channel transformations, improving the lives of their housing customers while realising significant operational efficiencies.

"Through this work, business leaders were supported to develop their digital omni-channel strategies and future operating models, understand and build their new digital capabilities, pilot and launch several new technologies, and achieve a major shift away from traditional, inefficient customer channels. This was critically underpinned by culture change initiatives to develop their people and build future transformation capability," says Mr Holliday.

No matter what sector a company operates in, its leaders should ask critically how am I innovating today? "As a leader, it's imperative to think about your innovation strategy early on, and ensure your organisation and people are set up to examine and then exploit emerging ideas, seizing all the exciting opportunities digital innovation presents," Mr Holliday concludes.

For more information please visit [gateone.co.uk](http://gateone.co.uk)  
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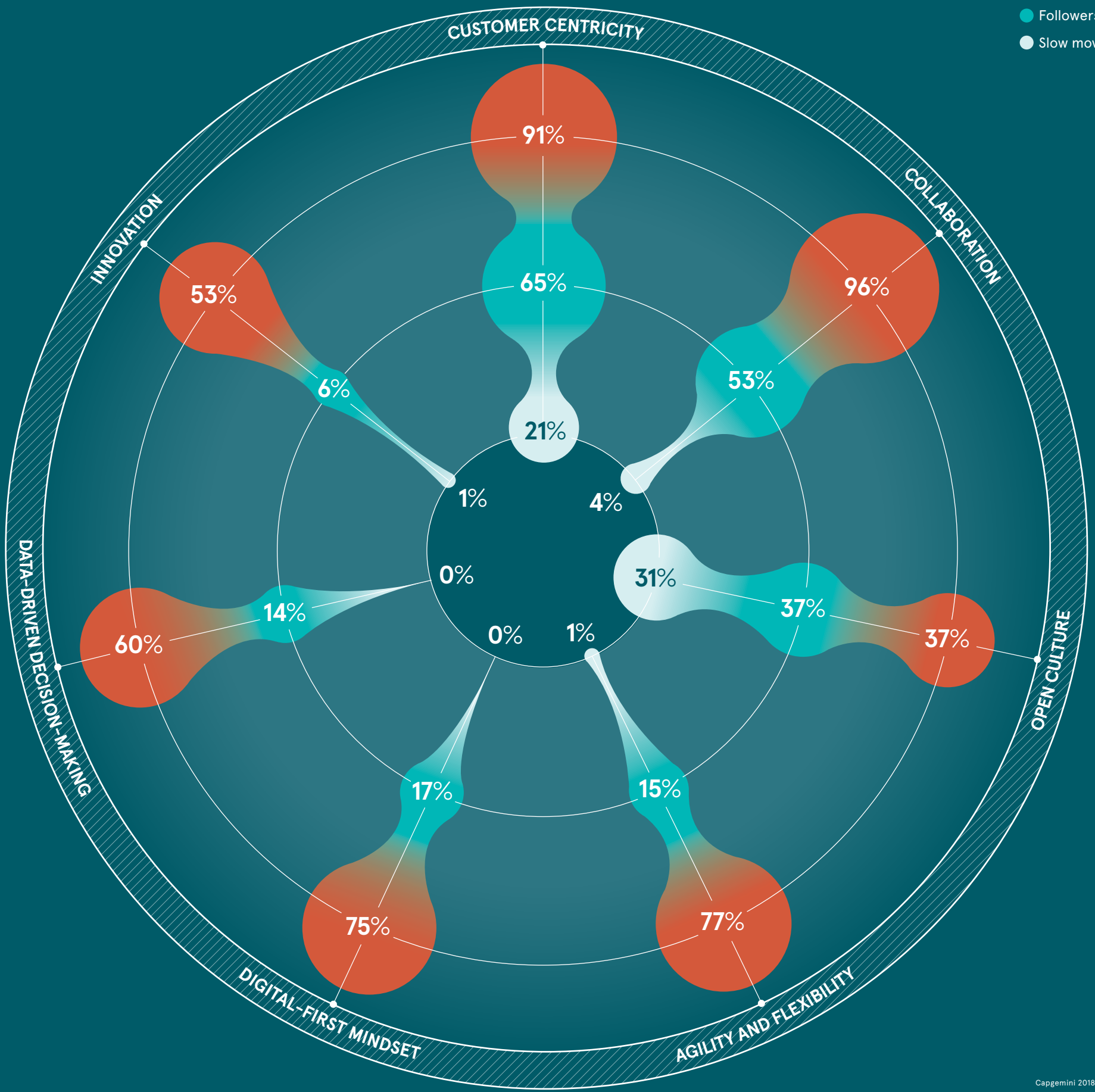


# CULTURE OF CHANGE

## HOW BUSINESSES PERFORM AGAINST THE KEY AREAS OF DIGITAL CULTURE

Percentage of senior professionals who say their companies have a high prevalence of the following

- Front runners
- Followers
- Slow movers



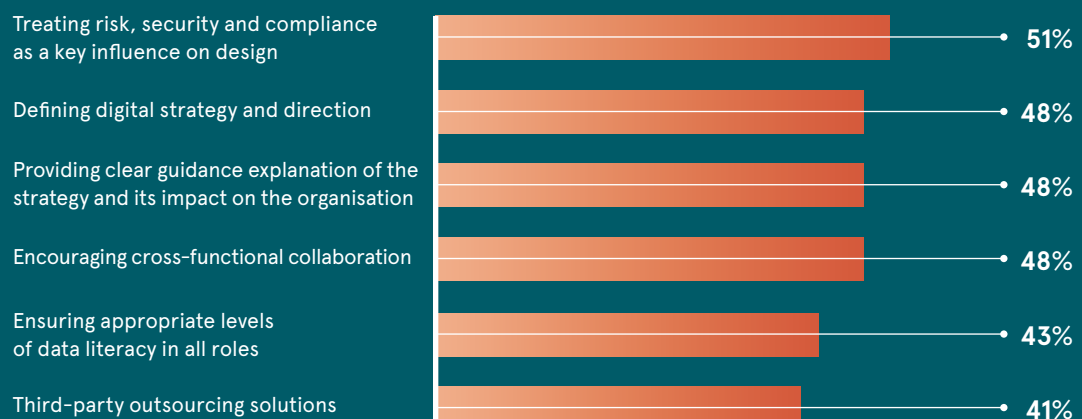


Digital transformation requires buy-in throughout an organisation, led by C-suite executives, who should instil a culture of change among staff at all levels. Here are some key pointers along the transformational journey



## CREATING THE RIGHT CULTURE TO IMPLEMENT A DIGITAL STRATEGY

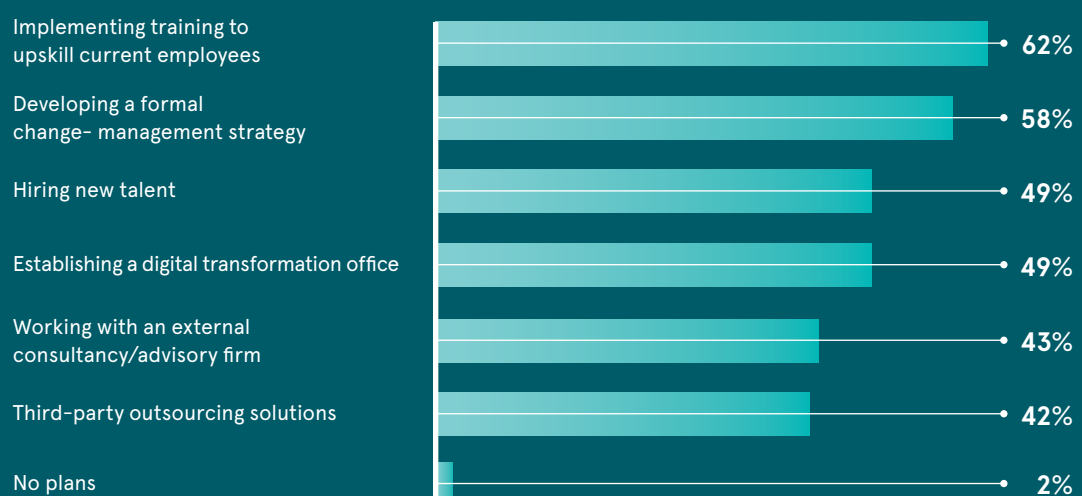
Survey of senior executives who selected the following as key



Economist Intelligence Unit 2019

## IMPROVING ADOPTION OF TECHNOLOGY ADVANCES

Percentage of senior executives who are deploying the following plans to enable and ensure adoption

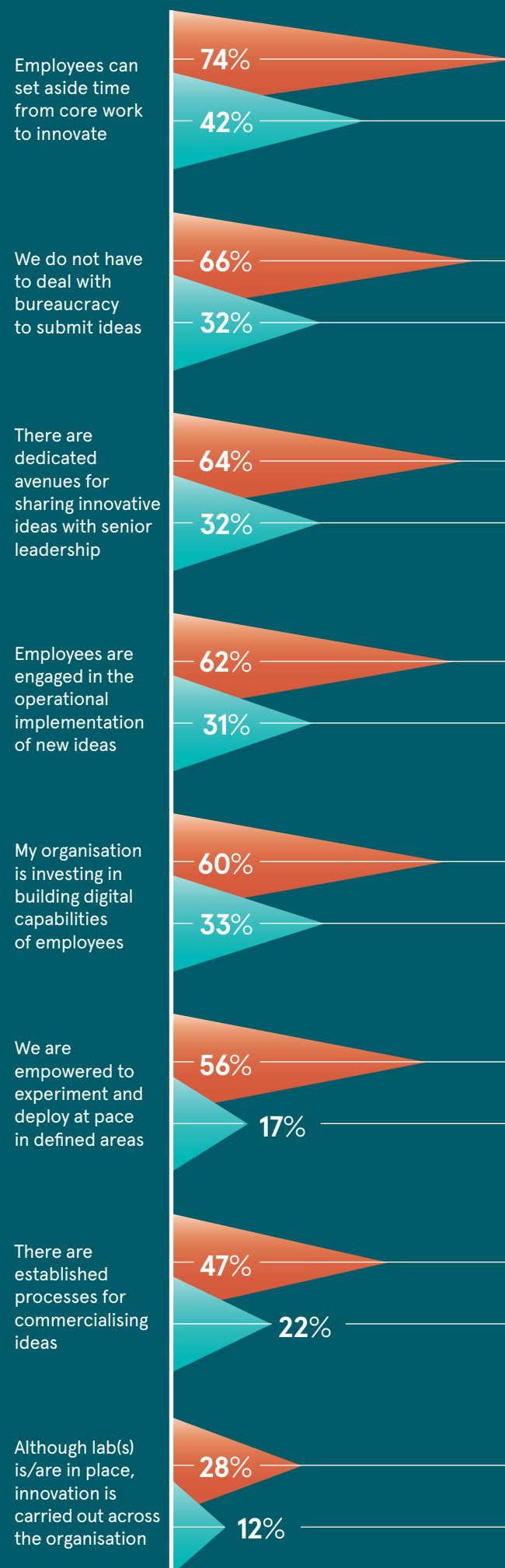


BDO 2019

## HOW EMBEDDED INNOVATION IS COMPANY CULTURE

Percentage of leadership and employees who agree with the following

● Leadership ● Employees



Capgemini 2018

## CASE STUDY

# Umicore: from smelter to urban miner

The turnaround of a Belgian materials company is an example of the need to change an entire business model

Oliver Balch

**U**micore is not a company that does things by halves. Two decades ago, this low-profile Belgian materials firm was a classic, old-school smelting company. Today, as a pioneering recycler of waste metals, it finds itself at the cutting edge of the so-called circular economy.

So why the shift? And what might others learn from its experience? The first question is simple enough to answer: the company's management looked to the future, didn't much like what they saw and resolved that it was do or die.

As Egbert Lox, Umicore's head of government affairs explains, the Earth has a finite amount of minerals and metals to mine. Adding urgency to this long-term scenario was the increasingly less stable business environment faced by the smelting industry in the here and now.

In short, the company had to think afresh, as Dr Lox explains: "There was a real economic need to think deeply about another way of doing business and to explore another part of the value chain."

That exploration led Brussels-based Umicore, formerly Union Minière, to move away from its historic roots in heavy industry and concentrate instead on developing clean technologies, such as emission control catalysts, and

recycling precious metals, nicknamed urban mining.

The impacts of this strategic volte-face have been impressive. Last year, the firm recorded record annual revenues of €3.3 billion, while also signing off on a €460-million investment programme in China and Korea.

Sarah Bell, of the International Council on Mining and Metals, describes the company as a trailblazer for the metals sector, which has long been panned by environmentalists for its pollution record. "Their work with the European car and commercial building sectors has led to 95 per cent of their aluminium being recycled," says Ms Bell, who also praises the firm for being at the forefront of copper and nickel recycling from rechargeable batteries.

The idea of ditching a tried-and-tested way of working in favour of something substantially different carries high risks, which is why most companies prefer to stick with the status quo or at most tinker around the edges.

Umicore's Dr Lox understands the caution felt by company strategists, but he insists that business transformation need not be disorderly if the right management steps are taken.

As a first-hand witness to Umicore's turnaround, Dr Lox's list of must dos is headed by two essential factors: consistency of strategy and continuity of leadership.

"From the start, we have kept with the same people with the same dedication and drive to make this work. So today we remain absolutely committed to the goals that senior management set back in the 1990s," he explains.

That is not to say Umicore has not had to respond to changing market conditions or new business opportunities. It never anticipated investing in Eastern markets two decades ago, for example, yet this is where much of the action is now taking place in the materials sector.

Once the general direction of travel was set, the firm's

Umicore employees working at its automotive catalysts test centre in Songdo, South Korea



Umicore's metals recycling plant in Hoboken, Belgium is expanding its capacity from 350,000 to 500,000 tonnes a year

management has stuck to it. The setting of medium-term targets – five years ahead in Umicore's case – has helped enforce such strategic discipline, he adds.

Umicore's story of transformation points to two other determinants of success or failure. The first is a total dedication to developing

new technologies. At 6 per cent of revenues, Umicore's budget for research and development is three times higher now than it was in its old smelting days.

The second crucial factor is people. Employees need to be on board with any major transformation process; if not, any attempt at change will be thwarted from the start.

In line with Umicore's experience, this may well entail kicking off with an overhaul in senior leadership. Thereafter, a thorough induction process and ongoing staff training around the firm's new vision and values is vital.

The centrality of a company's values in the business transformation process demands particular attention, according to Philippa Foster Back, director of the London-based Institute of Business Ethics.

In the choppy waters of corporate change, organisational values are the compass that keeps everyone on course, she suggests. Moreover, to be effective, they need to be not just spelt out, but lived by senior management.

"Supporting these values, through actions, not just words, especially from leaders, is the key to driving changes in behaviour," says Ms Foster Back.

If the idea of a total strategic revamp still sounds daunting, then fret not; one salutary lesson from Umicore's tale of radical change is that not everything needs to be done at once.

By Dr Lox's reckoning, the company's turnaround required about 15 years to effect, from a period of "emergency breaking" in the late-1990s, to a period of investing in new technologies, through to divesting non-core assets and bedding in new acquisitions.

## Umicore in numbers

Umicore

€3.3bn

annual revenues in 2018, up 17 per cent on the previous year

6%

of annual revenues spent on research and development

71%

of annual revenues generated from clean mobility and recycling operations

Such a time horizon concurs more or less with the expectations of sustainability expert Eliot Whittington. As a director at the Cambridge Institute for Sustainability Leadership, he has worked closely with a range of companies looking to bring their environmental impacts to a position of net zero.

Most start out by adopting a ten-year roadmap, Mr Whittington says, although he is reluctant to be drawn on precise timelines. As he ruefully remarks: "Ultimately, it's a balancing act; you're essentially rebuilding the plane while flying it." ●

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**There was a real economic need to think deeply about another way of doing business and to explore another part of the value chain**



## OPINION

# ‘Business transformation is difficult, messy and doesn’t always work; not being aware of the need to change is even worse’

**B**usinesses are agents of change. Most are built upon the idea of transformation, aspiring to bring about change to some part of life, however small.

Business leaders, it follows, relish the chance to shake things up. We all see ourselves as disruptors. But just as we like to make waves, so too are we always at risk of finding ourselves swept away by the next tide.

It’s impossible for one person to stay alive to all new developments. This is where boards must play their part, challenging those who run organisations to take account of what is on the horizon, no matter how tempting it is to look the other way. To fulfil this role, comprising a diverse range of perspectives is an absolute necessity. Every board must endeavour to see with all eyes.

Last month, the Office for National Statistics found that 1.5 million jobs in England alone could be superseded by new technology such as algorithms. How many business models will also be made redundant in the next five years? The writing is on the wall and if businesses aren’t prepared to transform, transformation with come to them nonetheless, bringing obsolescence with it.

Illustrating this, Credit Suisse has estimated that the average age of a firm on the S&P 500 stock index has fallen by more than half since the 1950s. Similarly, the top-le rate of how quickly top companies are knocked off their perch for large firms has trended upward over recent decades, according to research by Deloitte. The incumbency premium seems largely to have evaporated. No one can sit on their hands.

Perhaps the most striking examples of technology’s ability to up-end the market, however, come from within the tech sector itself. Scroll back a few years and you might find references to the overwhelming dominance of AOL or warnings that the MySpace monopoly might prove unassailable. These were firms that were riding high on the wave of change and seemed far ahead of their peers. Yet they couldn’t keep up when the cycle of change continued; as history suggests, every revolution eats its young.

Clearly, even for companies apparently well placed to adapt to emerging trends, including companies that have themselves shaken up

the marketplace, transformation does not come naturally. It must be actively embraced by those at the top.

This is possible. Take Netflix, for example, which still posts more than two million people DVDs through the mail every month, a relic of the company’s origins. Netflix has ridden successive transformations to become a streaming site and now a content producer. Chief executive Reed Hastings pointed out almost ten years ago that while people often misconstrued his business as “just a DVD rental service”, their core purpose was actually, “How do you transform movie selection so that consumers can find a steady stream of movies they love?” Their pursuit of an answer to this question has led them to continued success, even as rivals have fallen by the wayside.

The fall of any organisation will always give rise to various what ifs? In the case of Blockbuster, the one I ask myself is what if the board had younger, more digitally native members? Might the company have realised and acted upon the need for reform with a more age-diverse board?

These are questions all boards might benefit from considering. As we enter an age where change is the new normal and transformation always just around the corner, firms must be ready to transform their boardroom. Business transformation is difficult, messy and doesn’t always work; not being aware of the need to change is even worse. ●



**Charlotte Valeur**  
Chair  
Institute of Directors

# Disrupt digital challengers with a transformational mindset

In a market crowded with digital innovation, agile transformation is crucial to retain the competitive edge, says **Marcus Hall**, principal consultant for DMW Group

**H**istorically, market leaders with decades of industry knowledge have ruled the commercial roost, relying on rigorous controls and processes to protect certainty. But today’s digital world represents a paradigm shift. Disruptive startups, equipped to get to market faster, present a real threat to incumbents that still map their business plans along a lengthy path of predefined outcomes, checkpoints and permissions.

Why? Because over-reliance on traditional project roadmaps shifts the focus away from digital’s primary competitive driver: the outcome. Social, cloud and XaaS (Anything as a Service) technology, agile techniques and iterative, customer-driven testing all enable digital challengers to achieve traction rapidly, with minimal capital investment and a “learn as you go” philosophy. For the traditional blue chip, risk-averse legacy processes hinder the capacity to compete.

Ironically, striving for predetermined certainty achieves just the opposite. Winning market share is the commercial goal, but an insistence on processes that cannot deviate from predefined parameters shuts down the scope for adaptive creativity. While your project teams spend weeks, or even months, waiting for decisions on escalated queries or financial approval, an army of disrupters are marching on your market. Today’s customer sets little store by brand loyalty. They won’t wait for you. Meeting their expectations demands profound transformation, not just of process, but to your operating model and organisational culture.

The shift must be made from immovable project chains to lean iterative delivery. Top-down governance must become delegated decision-making. Robust, multi-year budgets must defer to flexible funding that supports continuous innovation. Departmental silos must embrace cross-functional working. And the C-suite mindset must transform. Leaders must recognise those closest to your product are best equipped to make the immediate decisions that will deliver the outcomes your customers want



now, not outcomes you planned two years ago. So how do we strike the balance between fostering this brave new world of devolved responsibility, while keeping a hold on the governance reins?

Embracing this reality is a good place to start. You’re not going to force a change to “the way we do things around here” overnight. A more realistic approach is to seek out pathfinder initiatives that enable your people the freedom to adapt and excel. Yes, broad guardrails are needed, but the risks associated with localised accountability are far outweighed by the benefits of generating demonstrable success to evidence the business case for wider transformation.

Crucially, IT must interact with the business differently. Outcome-driven delivery is no longer about submitting requirements to IT and waiting. It’s a new way of working and ongoing conversation. Moving forward, your people will need the skills to facilitate that debate. Naturally, those well versed in emerging technologies offer an edge, but the ability to engage, influence, negotiate, adapt and make decisions will be even more crucial. Nurturing those skills and talents is a key strategic driver in the race for transformational success.

So too is speed. In my experience, an accelerant is needed to prime the transformation journey. Typically, that might be the co-opting of partner organisations to input ready-to-go expertise. Balance is key. Outsourcing change can create problematic dependencies, yet initiating a purely internal change programme promises a painfully slow path. The ideal solution is an intelligent blend, where partners function as the transformational driver, simultaneously augmenting the capacity of internal teams on an incremental basis, until you reach the optimum mix of talent-driven innovation to satisfy your customers.

From the C-suite perspective, passion and clarity are needed to cascade entrepreneurial spirit and unleash the true profit-making potential of your people. Be bold. Face into the challenge. Yes, the risks are real, but so are the rewards for those courageous enough to lead their organisations down this rich new road of opportunity.

For more information please visit [www.dmwgroup.com](http://www.dmwgroup.com)



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- ☐ BUT WHERE DO YOU START?

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LEARNING & DEVELOPMENT

## Training teams is just as important as developing individuals

Companies may focus on performance-based individual development for their staff, but agile structures require more teamwork. So why is "teamship" training not a key part of every organisation's programme?

Cath Everett

**A**s the focus on creating virtual and agile teams continues to grow in many workplaces, a key question has to be why learning and development (L&D) programmes remain so oriented towards the individual.

The issue is if organisations wish to assemble flexible networks of project-based teams made up of different specialisms that are created and disbanded as required, it would appear to make sense to equip them with the skills necessary to work together effectively.

Beth Hood, executive coach and leadership development consultant at Verosa, explains: "While most companies have a budget and strategy for developing leaders and individuals, they rarely give thought or airtime to 'teamship' development. But what is overlooked is that they're bringing together a series of individuals who don't necessarily have the ability to either work together or deliver collectively."

A term from British rugby that originated in the early-2000s, teamship covers the range of skills and practices involved in people working collaboratively to complete a project collectively. As such, it goes beyond the notion of simple teamwork, where employees work

together as individuals to achieve a certain goal.

Howard Sublett, chief executive at the Scrum Alliance, which provides training to help create agile teams, describes it this way: "It's the knowledge that I'm better with others and I can't be as productive solo. My role on the team is connected dependently with the others. It's the mindset of 'we' versus 'I'."

But the current low profile of teamship as a concept is more than anything a cultural issue. Because in the Western world, the focus is on

the individual rather than the community. In a corporate setting, this translates into recognising and rewarding individual rather than group performance. In countries such as Japan, the opposite is true. But only rewarding teamwork has its downsides too.

"It can impact creativity and people can also fall into a slightly dangerous groupthink, so it's about getting the balance right and adopting a dual approach: developing your own strengths and capabilities, but also working on your inner team player," says Ms Hood.

While team-based training programmes may appear expensive on the surface of it, not least because each member rather than just the leader needs to be involved, it does offer a number of long-term benefits.

As Samantha Clarke, founder of the Growth & Happiness School, points out: "When building agile teams, people need to bond quickly to get the job done. You can't fly solo and be successful; it's a joint effort and, if people connect and work well together, they solve problems more quickly and are more productive."

"It's like figuring out how to make the parts of a car work together. All those parts need to be looked after, but they're all interdependent and, if you don't look after the whole, they'll stop working."

This means that if things go wrong, the team is likely to become dysfunctional with individuals failing to communicate or working in silos. Environments can also become competitive battlegrounds where collaboration is non-existent, or even over-friendly, which means that no one challenges their colleagues' thoughts or decisions, leading to stagnation.

But as Ivor Twydell, co-founder of coaching company Alquemy,

“

**What is overlooked is that companies are bringing together a series of individuals who don't necessarily have the ability to either work together or deliver collectively**





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So what does an effective development programme for virtual and agile teams look like? One element includes psychometric testing to help individual members understand how they and their colleagues' personality types are likely to operate in a team context.

According to Ms Clarke, these personality types comprise influencers, who speak up and take charge of situations, relationship builders, who are empathetic and create harmony, strategic thinkers, who are more analytical, and executors, who do a lot of the spadework.

But teamship programmes involve working on developing five key team values. These comprise building trust as well as ensuring there is clarity of both communication and the team's goals. Employees must also learn how to compromise, provide constructive feedback and undertake self-reflection to understand their effect on the wider team.

"It's easy to say 'we're going to do a team awayday and that'll be our teamship work for this year', but the skillsets required are often about understanding yourself in a team context, so you recognise how your communication style impacts others," says Ms Hood. "Another important element is working out how goal-setting happens within teams because understanding where you're going is always the most important part of any journey."

Certainly, as workplaces continue to adopt an increasingly collaborative way of working, being able to slip quickly and easily into creating constructive and productive team relationships will become a progressively important skill.

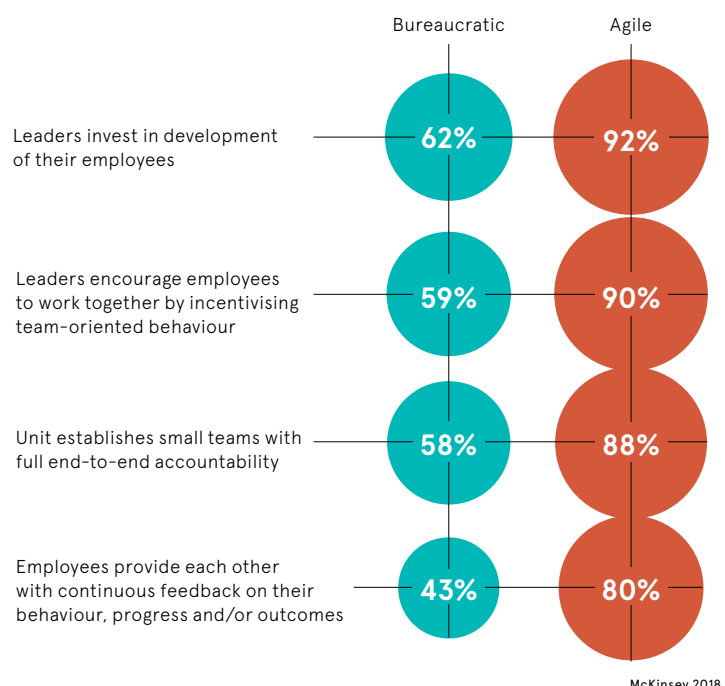
As Ms Hood concludes: "Being able to think in a collaborative way does take practice, but it can be learnt. As virtual and agile teams become more prominent, the learning and development side will catch up with the functional side, despite the current lag." ●

says few organisations beyond the police, military and sports clubs are currently investing in strategic teamship programmes to create collective standards of behaviour. The focus instead tends to be on more tactical team-building awaydays or team-bonding exercises.

"While organisations sometimes talk about the importance of productive teams, they don't usually invest until they see the cost of complaints and grievances," he says. "However, if attention isn't paid to relationships and boundaries, and the way people work with each other, the cost to the business can be significant."

#### TEAMWORK: HOW AGILE AND NON-AGILE COMPANIES DIFFER

Percentage of agile performance units and bureaucratic performance units that do the following



# CIOs' struggle for true digital transformation

IT leaders have been given a new lease of life in the digital age, positioned as the agents of change and transformation, but many are struggling to achieve their visions

**A**s the pace of digital disruption and its impact on numerous industries accelerates, so does the need for IT leaders to harness the opportunities to drive business growth. However, implementing technology-driven change in the enterprise is a challenge chief information officers (CIOs) have long grappled with, often coming up against barriers and tensions.

Digital is now understood as the great enabler of change, competitiveness, modernisation and an enhanced consumer experience. This relatively sudden and dramatic shift has significant implications for the CIOs whose role and influence has been extended by the digital agenda, placing them at the heart of business decisions.

They not only have to ensure their organisation is optimised and functioning from day to day, but also invest at the right time in emerging technologies that put the business in a position to leverage market opportunities. But doing so requires buy-in from the top of the organisation, and the necessary tools and skills to enact such change.

"Consumers expect a first-class digital experience, whether we're booking taxis or changing the heating settings at home," says Darren Fields, regional vice president, UK and Ireland, at Citrix. "We expect that same ease and simplicity when using technology at work, and the CIO is largely responsible for making this happen."

In a recent study of 400 UK CIOs by Citrix and OnePoll, just two in five said they fulfilled their visions in their last role. One in four said they were held back by "sacred cows" – ways of working that are seemingly immune to criticism – while 22 per cent cited budgetary restraints and C-suite expectations for an immediate return on investment.

Adding to their difficulties, just 6 per cent of CIOs described the technology in their organisation as agile and inherent to the business, with two-fifths saying it works but isn't used well. When infrastructure, tech investment and IT skills aren't satisfactory, half of CIOs said it reduces productivity and 45 per cent believed it restricts growth.

Sarah Flannigan is one CIO who did achieve her vision. During six years at the National Trust, she saw first-hand the challenges to end-to-end digital transformation at what is Europe's largest conservation organisation. While transformative technologies were deployed, it was her people-led approach that shaped and defined the necessary change.



6%

of CIOs describe the technology in their organisation as agile and inherent to the business

40%

say it works but isn't used well

50%

believe that unsatisfactory infrastructure, tech investment and IT skills lead to reduced productivity

45%

say it restricts growth

"Many CIOs have confidence in their own abilities, but express frustration at the capabilities and digital maturity of the organisations they are supporting," says Ms Flannigan. "To bridge that gap, CIOs cannot allow themselves to sit on the sidelines complaining, but must find ways to make an impact and a difference."

To drive digital change, CIOs should first identify potential advocates on the board. Every CIO has a feel for the

agenda of a company in relation to technology investment and digital transformation. Taking the time to work with those on the board who embrace and understand what's at stake will ensure the necessary buy-in from the top.

Finding a mentor is equally important. Transformation is never easy, particularly in large organisations with multiple stakeholders, so having others to turn to for advice and insight, or even just moral support, will be invaluable when the challenges come.

Finally, digital transformation needs a vision that others can believe in. The CIO is uniquely qualified to drive change, but this needs to be communicated well for others to understand and embrace. The best CIOs can translate the value of transformation to every person in the organisation, from chief executive to intern.

"CIOs need patience, backing and autonomy from the board," says Mr Fields. "Many feel hamstrung by the infrastructure they inherited, and report being denied the time and organisational structure to put it right. This results in them exiting their roles without having achieved what they'd set out to do, which can leave businesses uncertain on their digital strategy and puts them under increasing threat from competitors."

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## LEGAL HURDLES

# When the law stands in the way of transformation

Rapid changes in industry dynamics and new technologies mean businesses must transform quickly to stay ahead, but are regulators keeping up?

David Cowan

**T**he speed of business transformation is outstripping law reform and business regulation, causing governments and markets to review legal frameworks, which can hold back or hinder change. Legislation and regulatory change takes time. All too often, the law is playing catch-up and is costly.

In the financial sector, Citi recently published its *Bank X, The New New Bank* report highlighting that while digitalisation can lower costs by 30 to 50 per cent over the next decade relative to underlying trends, new competition and greater transparency are likely to lower revenues by 10 to 30 per cent. Transparency demands changes in policy and business regulations, and businesses need to create a legal and compliance culture.

This does not mean that business regulation necessitates throwing up barriers impeding transformation. Successful innovators are now much more open to a collaborative approach than innovators of the past.

Cheryl Falvey, partner at law firm Crowell & Moring, who served as the general counsel of the US Consumer Product Safety Commission, says: "Today's

technology companies are much more engaged with legal teams early on." She doesn't think the relationship is negative as in the past, adding: "It may have been true historically, but those innovators who are winning right now are seeking legal help early."

This means working with their legal teams and regulators. Ms Falvey says: "Innovators are teaching regulators about the technology, getting them comfortable, so they don't end up hitting barriers later. You can look at specific products, like drones for instance, and make a lot of investment only to find you can't sell it around the world. Innovators need to know the laws before they invest too much."

Peter Church, counsel in the technology practice at law firm Linklaters, explains: "Regulators are well aware, they are keen to get on top of the challenges."

However, Georgina Kon, technology, media and telecommunications partner at Linklaters, cautions: "It is very rarely that regulation is the reason why an innovation fails. Innovation fails because of other issues." However, she adds: "A balance is needed between over-regulation and principle. Do we need business regulations immediately? Lawmakers will deliver what they think people, the market and the policy agenda want. It takes time to coalesce these interests."

Innovation hubs and regulatory sandboxes are seen by many as an ideal means to coalesce through collaboration. Ms Falvey says: "The role model in regulation is the regulatory sandbox. Voluntary activity is better than mandatory activity." She believes the relationship between those driving business regulations and innovators is collaborative. "But that landscape could change if something went wrong. Right now though, there is a lot of collaboration, but ultimately laws are there to protect consumers, patients, the bystander. Both



## FOUR CRITICAL QUESTIONS FOR REGULATION

Regulatory challenges posed by digital technologies highlight four key areas to be addressed by policymakers and regulators

# 1

What's the current state of regulation in the area?

# 2

What's the right time to regulate?

# 3

What's the right approach to regulation?

# 4

What has changed since regulations were first enacted?

Deloitte Insights 2018

the legal co-operator and technology innovator need to recognise they also need to slow down sometimes," she says.

According to Keven O'Brien, head of the consumer protection division at the Central Bank of Ireland, firms should identify risks during

development. Firms and regulators must "work now to ensure there is a robust, relevant framework in place to ensure that in the rush to develop 'the next big thing', protections for the consumer are not left behind", he says.

Sara Catley, director of practical

law at Thomson Reuters, says it is not surprising firms want collaboration in business regulations. "A regulator's purpose is to ensure regulated markets, fair competition, which is what the firms want; they want a level playing field," she says. To achieve robust legal transformation, regulatory co-operation can go one step further by testing concepts, using legal principles and writing legislation with appropriate flexibility. Ms Catley adds: "Regulators can introduce some future-proofing, so it's not necessarily a question of catching up."

Business and legal transformation are more in step than the "running to catch up" metaphor. However, in a blunt statement that will echo through the corridors of innovation, Mr O'Brien concludes: "If we cannot understand it, we cannot supervise it and, if we cannot supervise it, we cannot authorise it." It's a warning companies should heed. ●



## Legal crossroads

Autonomous vehicles may transform transportation, but they signpost a crossroads of law and transformation. Their development is being limited by increasing regulation and rising safety concerns. For good reason, say some. Last year, Elaine Herzberg, a 49-year-old homeless woman was killed by an autonomous Volvo XC90 Uber test vehicle travelling at 70kmh. It is the first recorded death caused by a self-driving car. The US National Transportation Safety Board concluded the car confused what she was and where she was going. Seconds before impact, the artificial intelligence

system applied emergency braking, but it had been disabled to reduce the potential "erratic vehicle behaviour".

Uber stopped testing for eight months, but then resumed vehicle use with a 40km speed limit and no night or wet-weather driving. It has raised the stakes on regulation and throws up questions surrounding liability. What is the state of readiness of autonomous vehicles? How do we define liability in black-box technology raising concerns about levels of transparency for users and manufacturers alike? What transformation can we trust and how far will we go to rein in change to protect society? The debate will rumble on.



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