

# ANALYSIS

## Leading in a digital world

*Brave New World: leading through digital transformation, a flagship report from Retail Week and PwC, steps inside the minds of today's retail c-suite to find out what leadership needs to look like for retailers to thrive in the digital economy*

The new face of retail will be exemplified by forward-thinking business leaders who are not only able to react to market changes but have the foresight to lead the changes today that will shape the future of their sectors.

They will not just be leaders, they will be pioneers, and digital transformation will sit at the very heart of their strategy.

Those in charge of retailers, both big and small, will in some ways be leading their organisations into the unknown, needing to gamble on unproven technologies as well as consistently reading the market with acumen.

Power technologies such as AI, machine learning, robotics, visual search, voice-enabled systems, virtual reality, augmented reality and blockchain are touted by the tech community as key to unlocking the doors to digital transformation.

But not all are affordable, nor are they all relevant to every retailer, and few can be implemented until additional infrastructure changes have been made.

### How do leaders map the correct path?

Leaders require a suitably prepared team – and they are going to have to invest in training and external expertise rapidly to avoid any further increase in the skills gap.

This Retail Week study, carried out in association with PwC, shows that, although 53% of today's c-suite say they have built their careers on a digital background, just 36% at management level – arguably those who expect to be the retail leaders of tomorrow – have built their careers in such a way because a high percentage have been focused on stores.

Some 97% of c-suite respondents believe digital transformation will continue to affect their organisations in terms of structure and job roles over the next five years, highlighting the urgency with which retailers need to prepare their workforces accordingly.

A further 38% of retailers say the main challenge in implementing their digital strategy is the difficulty of ensuring new approaches and technology are adopted by all staff through the entire supply chain down to stores.

The next most significant challenge is a lack of skills internally (37%), according to the survey.

There will, of course, be new methods of management required for a digitally fuelled retail environment, and businesses from all sectors are shaping their organisations to prepare for this emerging landscape.

The chief executive of a fashion retailer says: "I think that you have to be customer-centric. If you're a chief executive who's only focused on

driving efficiency, your business is going to falter."

She adds that the two areas often go hand in hand, meaning the c-suite must know how to find the right balance between driving customer service and internal efficiencies, because one fuels the other. "You have to find ways to be efficient because you can't afford to power costs into your customer service and be inefficient elsewhere," she says.

Other common leadership challenges across retail are those that have been the same for decades – it is just now they have a very digital flavour to them, according to some of the retailers questioned for the research.

The chief executive of a furniture retailer says: "I think if you're going to lead a business or lead anything in the right way, you've got to be constantly open to change.

"You've got to keep reminding yourself you're not good enough, the business isn't good enough, things need to improve. If you think you've won, then you've lost. I think you've just got to continue to innovate."

He adds: "I think if you genuinely are interested in your consumer and your colleagues, you will progress and do OK.

"If you're not and you're arrogant – and you think that you're brilliant and your company is brilliant – you're going to fail."

## Does digital transformation require a new leadership mindset?

88%

agree or strongly agree



LEADERS



MANAGERS

61%

agree or strongly agree



## What are the key challenges facing your digital transformation strategy?



### Pretenders to the throne

If the management-level retailers are not generally from a digital background, what is it they are looking for from the c-suite to ensure digital transformation is achieved?

Some 75% of all retailers agree it requires a new leadership mindset, although, interestingly, the c-suite themselves more strongly agree with this statement than their potential successors.

In addition, 53% of all respondents believe digital transformation will continue to affect their organisations in terms of structure and job roles over the next five years.

A stark difference of opinion can be seen between the two layers of management in relation to training.

While only 13% of c-suites say they plan to retrain existing staff if their business does not currently have people with all of the right skills, 46% of retail managers say they would retrain existing employees. Nearly 40% of the c-suite say they would recruit from outside the retail industry to fill the skills gap.

At the dawn of the digital age, several industry commentators predicted the pretenders to the throne in retail – those who would be the chief executives and managing directors of the future – would be the leaders operating in the ecommerce space at the time.

Aside from the retail pureplays, there are few examples where that has happened. Jeremy Fennell rose from Dixons ecommerce boss to Carphone Warehouse managing director, but this accession process is still to become

commonplace. Retail Week spoke to the multichannel director of a general merchandise retailer, himself an example of a digital native in retail who has climbed to the top team. He cites ex-Tesco multichannel director Robin Terrell and ex-Shop Direct, now Dixons Carphone, chief executive Alex Baldock as prime examples of those who have climbed the ranks from digital to decision-maker executives.

“I remember reading an article about 15 years ago from some consultants on internet retailing, saying the ecommerce directors of now will be the chief executives of tomorrow,” he notes.

“Obviously being an ecommerce guy myself, it has laid out the succession plans for my career and it totally resonates. The representation of digital on any board is just becoming more and more important.”

He adds that when presenting directional change projects within the business, he requires the support of others and looks to digitally led colleagues on the board first and foremost.

### Keeping your head

With a plethora of technologies to choose from, there are contrasting strategies within retail in selection methods.

The famous Rudyard Kipling poem *If* spoke of keeping one's head while all those around lose theirs, and that is effectively how the managing director of a big footwear retailer advises leaders to operate. He says those who make educated retail technology investment decisions tailored to their specific business' needs will prevail.

Digital transformation strategy has to generate more sales, make the retailer a little bit more efficient or make the customer have a better experience, he argues. He says: “The winners are going to be the organisations and the leaders that can keep focused on that.”

“I think you might find lots of people who jump from the latest thing to the newest thing and they never end up doing anything – they are the people making a land grab on the latest technology and not understanding how best to play it in their organisations.”

“The winners of this transformation are those who keep a level head and identify something, see the worth of it – not because it is headline grabbing but because it is going to do something specific for their business.” **RW**

### Action points



- Educate the entire board to think digitally – don't just rely on the digital representative.
- Include store colleagues on the digital journey as there is fantastic talent out there.
- Balance driving customer experience and process efficiencies, integrating front and back ends.
- Remember that now retail is technology-enabled, constant innovation is needed.

To read the full report, *Brave new world: leading through digital transformation*, visit: [Retail-Week.com/brave-new-world](http://Retail-Week.com/brave-new-world)