

Seizing the Internet of Things Opportunity

Is Your Organization Ready?

Part 1

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

Wristbands that track activity levels. Glucose monitors implanted in the skin. A supply chain optimized to respond to real-time customer demands instead of forecasts. Even just a decade ago, these applications were more hypothetical concepts than imminent possibilities. Today, the Internet of Things (IoT) — the connection of devices to the Internet and to each other, capturing and sharing information — is reality. It is also a game-changing opportunity for nearly every industry. According to business leaders such as Kevin Ichhpurani, executive vice president and head of business development and strategic ecosystem at SAP, “The Internet of Things is more disruptive than the advent of the Internet itself.”

The potential is indeed staggering: Some estimates suggest that IoT will add \$15 trillion to the world economy over the next 20 years and, according to McKinsey Global Institute, it could create an annual economic impact of \$3.9 trillion to \$11.1 trillion by 2025. For organizations ready to seize the opportunity, IoT could mean:

- > The creation of new products, services and avenues for growth;
- > Shifts in existing business and formation of new business models and value chains;
- > Dramatic increases in efficiency that yield significant cost savings;
- > Early detection of potential problems, enabling intervention before issues escalate; and
- > Access to new data for more insight-driven decision-making.

This series features insights from:

Chip Adams
Board director at Under Armour

Bernie Anger
General manager at GE Intelligent Platforms

Raj Batra
President of the digital factory division at Siemens USA

Don Butler
Executive director of connected vehicles and services at Ford

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

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

René Hartner
Vice president of corporate business development at SanDisk

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

Kurt Mueller
Chief innovation officer of PulseCX

Maria Thomas
Chief consumer officer of Smart Things

At some companies, IoT is already part of the current strategy; for others, IoT could represent a seismic shift in how they do business. The level of adoption and readiness varies by industry, and the pace of adoption can be limited by a number of factors, including insufficient investments in technology infrastructure, shortage of talent to lead and implement IoT strategies, organizational culture misalignment, and lack of board understanding of the opportunity.

One of the first steps for companies that are exploring the possibilities of IoT is ensuring there is a strong foundation at the enterprise level for IoT efforts. Companies that are best positioned to pursue IoT opportunities have organizational structures that maximize new talent and capabilities and a culture that enables them.

WHERE IS IoT ON THE ORGANIZATIONAL RADAR?

The capability to deploy IoT on a large scale did not exist until recently, but it has rapidly captured the attention of the C-level at many organizations. Dirk John, partner with McKinsey & Company and previous head of innovative technology at Siemens, has observed how IoT has quickly become part of the CEO's agenda. At SAP, IoT is one of the company's top five priorities and the board is heavily involved in related strategic and investment decisions.

Although senior executives and boards have become aware of IoT, there is not a consistent "owner." Unlike the establishment of chief e-commerce roles in the '90s, there has not been a wholesale creation of dedicated IoT roles at the C-level. Where IoT sits in the organization varies by industry and each organization's unique strategy for it. Zebra Technologies, which builds tracking and visibility technologies and solutions for a range of industries,

established a task force to understand how IoT would change things for its customers and partners, which ultimately led to the development of the company's new growth platforms group. To expand into wearables and fitness-focused technology, sports apparel brand Under Armour has acquired app companies and established one of the founders as the overall organization's chief digital officer, a role that includes responsibility for heading IoT efforts given his deep expertise.

In the automotive industry, IoT is typically defined as "connectivity," with different departments and leaders dedicated to its various aspects, from research and innovation centers to standalone connected car functions. "We define connectivity in three ways: Built-in, beamed in and then brought in," said Don Butler, executive director of connected vehicles and services at Ford. "Delivering on the customer's experience and maximizing these facets of connectivity requires a truly integrated organization internally that can plan across different skill teams in a cohesive way, but then also provide that business/enterprise perspective on the investment and how we're going to get our return on that investment. It's beyond a marketing project. It's beyond a product development project. It's beyond an IT project."

For many organizations, IoT's vast reach requires that a number of leaders own different pieces. For example, the CTO oversees the IT service delivery component, the COO owns manufacturing and

Estimated Annual Economic Impact
\$3,900,000,000,000
to
\$11,100,000,000,000
by 2025*

* "Unlocking the potential of the Internet of Things," McKinsey Global Institute, June 2015. www.mckinsey.com/insights/business_technology/the_internet_of_things_the_value_of_digitizing_the_physical_world

operations, and the CFO plays an integral role given the intersection of finance, technology and operations. In these shared leadership structures, the chief digital officer is often charged with developing and driving the strategy of IoT, including thinking through the big data implications.

“We ended up moving the IoT business under our platform group recently, but quite frankly, regardless of where it sits, it is very cross-functional in nature,” said Ichhpurani. “Development needs to be part of this. Your core application business, your analytics, your platform technology business, R&D and sales are all parts of it. In addition, the partner ecosystem is really critical because you cannot deliver an end-to-end offering without orchestrating the ecosystem.” This type of cross-functional engagement presents a significant leadership challenge (which we will explore further in the second part of this series), requiring leaders not only with exceptional collaboration and influencing skills, but also the ability to blend these “soft” skills with technology, strategy and implementation expertise.

THE ORGANIZATION'S CULTURE: HELPING OR HINDERING IOT ADOPTION?

An organization's culture is a powerful force. A healthy culture that is aligned with the strategy can spur innovation, while a misaligned culture can inhibit it. Many IoT initiatives require organizational cultures that are open and flexible to support

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VEHICLES AND SERVICES AT FORD

innovation and collaboration. At the same time, IoT presents an interesting paradox: organizations need to be more open to sharing ideas and information while being incredibly vigilant about data security.

Beyond balancing these opposing needs, organizations that are best positioned to succeed in IoT have cultures that are agile and oriented toward rapid learning and iterating. “It's a dynamic environment,” said Butler. “A principal challenge is adapting and modifying our process to incorporate advances — in this case, smart connectivity, with speed and nimbleness — while also maintaining the rigor necessary to ensure quality, which deals with issues such as safety, data security and privacy.”

Exploration and creative thinking are vital cultural traits in a space reliant on forging new ground and where many applications have yet to be discovered. Dave Chase, founder of Rosetium, a healthcare consultancy, and former CEO and founder of Avado, developer of cloud-based patient relationship management tools which was acquired by WebMd, has found that bringing in outside leaders can

inject the organization with a spirit of exploration and creativity. Kurt Mueller, chief innovation officer of PulseCX, a healthcare marketing agency, has observed the practice of going outside the industry to invigorate the culture in the pharmaceutical sector. “I think the culture has to change,” he said. “We're already starting to see turnover because, especially in big pharma, there's a standard response of 'no' or 'we can't do that,' and CEOs and boards are tired of hearing that. Organizations are now tapping younger executives and executives from different backgrounds with innovative companies.”

SanDisk established a “business accelerator” to house projects that don't fit into specific business units, as well as to inspire a spirit of experimentation throughout the organization. “Before you start with hiring, you need to have an appetite to have a few projects running in your own company that are tangential or maybe even totally new that haven't been done before in order to incubate completely new technologies and solutions,” said René Hartner, vice president of corporate business

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development at SanDisk.

Innovative talent also tends to excel in more “flat” environments, where there is less emphasis on authority and where ideas from every level of the organization are welcomed. According to John, it can be helpful to create a separate incubator environment for IoT solutions, especially when the broader organization has a more hierarchical structure.

As with digital, IoT talent can skew younger than traditional senior leaders. The traits of the next generation may require a shift in culture observed Raj Batra, president of the digital factory division at Siemens USA. The younger generation of talent wants meaningful work, autonomy and career growth. He says Siemens is adapting to meet these needs, inspiring a shift in the organization’s culture toward greater flexibility to accommodate talent accustomed to working in a virtual environment.

LAYING THE GROUNDWORK FOR IoT SUCCESS

The IoT stands to revolutionize industries and represents an enormous opportunity for growth. Before embarking on full-scale efforts, however, organizations need to determine how IoT fits within the organization and how it aligns with the existing culture. Clear ownership of IoT, commitment across the enterprise, and a culture that fosters innovation and collaboration are integral to its success. In order to create this foundation, many organizations will need to change how they work, think — and lead.

Part 2 of the series examines the leadership skills that are vital to seizing IoT opportunity. Part 3 explores the IoT talent landscape and ways to build a long-term talent pipeline.

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