

# The Future of Automotive and Mobility Leadership



What will the business models of the future look like? Where will the battles for revenue be fought? A constantly changing business landscape means the requirements for success will evolve: understanding them—and preparing for them—will be critical.

At this year's Frankfurt Motor Show, Russell Reynolds Associates gathered a select group of executives for a wide-open exploration of the critical issues facing the auto industry. This year's show came at a time when the car market is changing stealthily yet dramatically, transforming itself from a very distinct automotive industry to a more fragmented mobility industry. The winners in this process will be the manufacturers, suppliers and new entrants whose leaders are involved in shaping this change.

The Panel, moderated by Walter Friederichs, global leader of Russell Reynolds Associates' Automotive Practice, included:

- Li Shufu, Chairman and Founder, Geely
- Peter Tyroller, Board of Management, Bosch
- Thomas Schmall, CEO, Volkswagen do Brasil
- Gerhard Baum, Vice President Automotive, IBM

Additionally, more than 30 top executives from the automotive, IT and communication, and energy industry took part in this discussion and contributed their own experiences and insights which enriched the discussion. Innovative ideas abounded, but the five topics outlined below will likely prove to be most important for the industry in the future.

## Creation of a Global Corporate Culture

That corporate culture is an essential business tool and a competitive advantage has been discussed—and implemented—by progressive business leaders and human resources professionals for years. The discussion of culture evolved to embrace the concept of a global corporate culture, one that transcends political borders, personal values and beliefs. At the moment, most corporate cultures have their roots in a particular national culture. In the ever-expanding globalized future, however, corporate cultures will need to transcend geopolitical boundaries and be guided by shared aspirations that, lofty as it may sound, can bridge the world's differences. In so doing, these global corporate cultures can unify and focus a company and provide an advantage over less cohesive competitors.

***Companies need to translate the values of Generations X and Y into their culture. This may include rapidly adopting new means of communication, such as social networking tools, as they emerge. To guarantee success, the culture will need to be clearly defined, easily understood and visibly enforced. It is equally important to realize that this culture should not be set in stone, but recognized by leaders and employees as evolving. This evolution will help promote cross-cultural adaptability and flexibility in the workforce, and make way for a competitively-essential international mind set.***

### Continuous Transformation and New Business Models

Organizations always have had to adapt to change in order to succeed. However, in the past, the change typically was more orderly and more sequential. Markets used to have distinct and separate experiences. What impacted a business in San Francisco, for example, might not have any effect on a business in Shanghai, Sao Paulo or Paris. The increasing interconnectedness of the world has meant that change now is constant, and its effects act simultaneously upon companies and markets around the world.

What does this continuous state of flux mean for business models in the future? As consumer, market and product data become available globally and concurrently, businesses will need to become expert at analyzing and modeling these data. The emphasis will shift towards value creation. The product cycles of physical items—like cars—will need to be as fast and flexible as digital offerings are. Successful new business models will be those characterized by their ability to transform and innovate in this endless cycle.

***To make this work, corporations will need to establish a multi-lane approach. The core business model will be complemented by auxiliary models. Leaders, for their part, will have to pursue numerous tasks at the same time; they must be able to focus on what is important while still being able to efficiently switch priorities in midstream. They also will need to have a keen sense of how these different models converge and integrate. It will be essential to offer “value” and create innovative products for consumers that they are not yet even aware of needing. Flexibility will no longer be just about the ability to adjust to a different situation, it will require living in a constant state of flux.***

### The Art of Alliance Management

Companies strive to distinguish themselves from their competitors through a unique selling proposition. Many top executives at the Frankfurt discussion, however, argued that partnerships and alliances are likely to be the most suitable method to achieve rapid change, attract the best talent, commit the required capital and mitigate the risks that are inherent to innovation. The likelihood of innovation increases when the number of sources grows.

The discussion centered on three aspects when determining successful partnerships. First, which skills will be indispensable for success in a changing business context and which companies have the greatest credentials in this field? Second, how do businesses select partners that will contribute significant and sustainable value to a joint business? And third, how can business models be built that will keep partners focused and committed?

***It turns out that the business models that will be well-suited to an age of constant transformation—those with a core model supplemented by auxiliary models—also will be the ones most likely to bolster the power of successful partnerships. It won't be simple. This multi-channel approach will function only when executed by companies, leaders and employees who are capable of open cooperation. These same people must be able to work across a range of different structures and approaches. These people also need to judge the credibility of partners and develop the mutual trust required for each party to open up. In short, the challenge is to go beyond competitive thinking toward mutually beneficial partnerships.***

### Brain Science and the Evolution of Consumer Behavior

The Frankfurt panel took note of the lively debate now taking place in the world of brain science regarding whether individuals raised in this increasingly digital world will develop different synapses. This implies that future generations may no longer just differ from their predecessors with regards to their preferences and needs, but they may also possess different thinking patterns and even different logic. What seems clear about tomorrow's consumers is that they will demand flexibility, convenience and speed in their products.

Customers want more flexibility when deciding to buy a product or service—and often want flexibility post purchase. They are also demanding products that are intuitive to use, and easy to access. This evolving context implies that timing and agility will further increase in importance.

***It currently is neither fashionable nor necessary to be tied to an object for any length of time. On top of this, younger generations are keen to reduce the amount of physical ballast they carry. The best way to target future product users may be learned from online companies whose sites are based on modeling customer preferences.***

### Dealing with the Unexpected

It's been more than 30 years since Peter Drucker first characterized this era in his best-seller, *Managing in Turbulent Times*. More recently, though, this notion has been extended by Joshua Cooper Ramo, of Kissinger Associates, in his book, *The Age of the Unthinkable*. Today, every part of society faces changes that were not and could not possibly have been foreseen. Panel members and participants emphasized that such disruptive change can be dealt with only by people who share values and objectives and who have full command of how to set up and to pursue their respective business. In other words, times like these require business leaders who are not limited in any way by constraints or restrictions other than values and objectives.

***Leaders will need to empower employees with the responsibility of full decision-making authority. They will also need to possess the courage to take the road less travelled. Creativity will need to be fostered, out-of-the-box thinking must be encouraged, and radically different behaviors must be tried. All of these activities must be possible in real time and without employees having to seek consent at every step in the process. In order to foster this blossoming of creativity, leaders will need to remember that when risks are agreed upon and discussed in advance, there's no place for penalizing failure.***

### Summary

The Panel discussion highlighted the need for a generation of leaders with a set of competencies that are different than the existing ones and also not yet fully understood. The question is how can an organization recruit, attract and develop leaders with competencies that we are still struggling to describe? To support its clients in exploiting opportunities and dealing with the challenges in the emerging mobility industry, Russell Reynolds Associates has begun verifying and operationalizing the competencies future leaders need to possess if they want to be successful Mobility Leaders.

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