

## Diversity as catalyst for digital innovation

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### Slide 1

No text

### Slide 2

Today I wanted to talk to you about #diversity as a catalyst for digital innovation.

I've planned to talk for about 30 minutes so that we have some time for discussion – do feel free also to ask questions in between.

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First, though I want to address the elephant in the room

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In case you haven't noticed, I am young white privileged male talking about diversity.

In the words of one of the other speakers at this conference Robert Franken, I am 'a male feminist' and I believe that gender diversity has acquired bad reputation. Don't you?

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Gender quotas are not embraced enthusiastically by almost anybody. **Women** say that they don't want to be the "quotenfrau"; **men** claim that quotas are the end of their careers and feel trapped, **leaders** feels that their power of choice is being removed, and **employees** feel that their colleagues aren't capable enough for the job. For a long time, I wasn't convinced that quotas are a good idea.

I have come to think differently [**SLIDE**].

**Unless** you have reached a certain level of diversity already, it is extremely difficult to make progress to keep a stable level of diversity & inclusion. **Unless** you have the so-called critical mass, you will face the problem of isolation and assimilation of the minority groups [- what you find in cities ...what you find in cities]

What we have come to realize at Continental, is that it takes the 1. **commitment and backing** of the board, 2. **objective** that are treated as any other business objective, and 3. **discipline**, rigor and a broad spectrum of approaches approaches to make a difference. Once we started looking at it this way at Continental, we started to see progress and numbers are moving in the right direction.

The price that we have to pay in the short term, however, is that diversity, at this point of the process, is reduced to diversity of gender.

That is a huge mistake.

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Have you heard of [Martin Seligman](#)? Some have. He is a psychologist - the father of positive psychology. He was interviewed once by the CNN but they told him "you have only a small amount of time so make your answers very short". The camera rolling, "Professor Seligman, what is the state of psychology today?" "Good". "Cut, cut! Professor, I see you are struggling with this limitation. Let's have another take and try a little more." "Ok, so how many words do I get this time?", "We can try with 2." Camera rolling, "Professor Seligman, what is the state of psychology today?" [pause] "Not good" [another pause] "Cut, cut! Professor, we all know professors need more words so let's have another try - this time try with three words." Camera rolling, "Professor Seligman, what is the state of psychology today?" "Not good enough". And you see, I believe that the state of diversity & inclusion is not good enough because their story has not been told well enough. **Because diversity is so rich** - national origin and ethnicity, organizational and professional groups, gender and sexual identity, socioeconomic status and religious beliefs, and on and on. Generations, personality, skills, working style, tenure at a company, and more. Diversity means different things around the world and even different things to different generations.

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When asked what they associated with diversity, different generations had different answers. [A study by Deloitte](#) shows that older generations feel the benefits of diversity are in equality and equal opportunity while for the millennials diversity is about ideas, opinions and thoughts

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**So when I speak about diversity, what I refer to is above and beyond all aspects that make people and their perspectives different - both based on nature and on nurture. (It is this diversity that puts the human in human resources.)**

And so this is the definition we are leading with today to talk and see how this line of reason will resonate with you and together with you as Multipliers, turn the state of diversity & inclusion from 'not good enough' to 'good to start with'.

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There are a few themes running through the Hannover Messe that are relevant to what I want to talk about today, aren't there: 1. digital solutions and digitalization; 2. selling services, not products (servitization); and 3. using big data. This is the so-called 4th Industrial Revolution. And it is posing questions for big business that looks to understand how the future will change. **To speak of innovation** is to speak of significant progress in methods, ideas, products, technologies - often times, ...

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it is about a "wow" factor.

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Today, the digital transformation is changing us (Continental and any other company as well as governments, social structures, and individuals).

There are lots of case studies in lots of industries about this, and although I am speaking broadly about the automotive industry (where Continental has its most significant playing field), other industries are facing similar new reality.

In the established business models (think most areas of manufacturing, most pre-data and pre-internet services), to grow in scale, companies needed to ensure that the **production systems and their processes** are cost efficient and work like a fine tuned machine – exerting stricter and stricter control on quality, standardization, and incremental improvements. You simply do not want to make compromises here. By definition, we can only get better slowly – incrementally by applying intelligence or IQ. **[SLIDE]**

Furthermore, to keep the organisations as flexible and independent as possible, we have been building silos between them – and even creating competition for resources. **But the digital transformation is changing us.**

Do you know the story of **David and Goliath**? It's a famous story – about a giant who was trying to scare but couldn't quite scare a shepherd boy who believed God was on his side. And who in the end killed the giant.



Can you name a few 'David and Goliath's from the recent history of business? (e.g. Nokia, Blackberry and other handset manufacturers business model → iPhone business model; Blockbuster → Netflix; Axel Springer → Axel Springer, etc.)

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Companies that operate only under this philosophy of a Goliath (meaning, going for the kill) are likely to be **disrupted by entrepreneurs** and sometimes these entrepreneurs can disrupt their entire industries: **Airbnb** disrupting the Hotel industry, **Uber and Lyft** disrupting the taxi companies, **Amazon and Alibaba** disrupting online retail, **Tesla** disrupting the automotive industry, **Tinder** disrupting the online dating scene, and many more.

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If the big corporations are Goliath – slow to move, wearing heavy armour, having plenty of resources, perhaps sometimes a little bit excessive self-confident and largely uncooperative – then start-ups are really the David's of the world – they have the belief in their God, ready to take any risk, relying on hand-made tools to fight, and riling up crowds of support. There are several analyses of the story of David and Goliath that shine different light. One that I think is relevant for us is that of an alternative universe where David and Goliath could **[SLIDE]** actually be friends.

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... **[SLIDE]** actually be friends.

The digital transformation is shaking things up a bit. **Markets are moving quicker** and getting more border less, **consumer** demands are harder to predict and getting more segmented, **shorter product cycles** require to rethink the design and R&D process, **anticipating 21<sup>st</sup> century customer needs** requires new marketing approaches and ability to co-create together with the customer, [the availability of resources is no longer a differentiator either]. And **totally new business** models emerge.

These are just **some** of the ways the business is changing and challenging the Goliaths with their 100-year history (Continental will soon be 150). **The Davids are having their own challenges** – how to get resources to scale, how to collaborate and establish partnerships, how to ramp up excellent execution and more.

To be able to survive in this new world, Goliath needs to be friend with David and David needs to collaborate with Goliath.

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Let me give you an example – autonomous driving. What is our business as an automotive supplier going to look like when autonomous driving becomes the norm?

To begin with, the entire ecosystem will change. A fascinating article by Thomas Frey speaks of 25 predictions and I just want to highlight 5 [explanation for each one and how it affects us and the ecosystem]:

1. Car ownership will soon become a very expensive hobby
2. Fleet owners will become the primary influencers on the design of new cars
3. Remodeling garages in people's homes will soon become a thriving industry
4. Police departments will shrink significantly (up to 80% in the US)
5. Life expectancy of autonomous vehicles will be less than 1 year

To be able to continue to innovate, David and Goliath need to be fierce collaborators and operate as a team ...

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– each needs to learn from the other and balance the tensions that the changes in the ecosystem create. The tensions:

1. **between excellent execution and rapid innovation,**
2. **between cost- and quality-control and experimentation,**
3. **between clear investment-and-profit and unclear relationship, and even**
4. **between the high-performance individuals and effective teamwork.**

**We believe that these tensions can only be alleviated by diversity & inclusion.**

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This takes us to chapter 3 of the story: the chemistry. So why do we talk about diversity as a **catalyst**, why this specific metaphor.

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I did literature major at university so I am sure I won't do it justice.

A catalyst has two essential characteristics: [SLIDE] one is time - it speeds up reactions that may happen on their own but too slowly or not happen at all without it; and [SLIDE] second is its resilience - it typically does NOT change or consume itself.

So if before, to innovate, we needed either the strength and single-mindedness of Goliath or the agility and belief of David, today we need something quite different.

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Today, we need those people who are **strong networks and relationship-builders**, those that **shine lights on others** and not stand in it, those that **demonstrate empathy** and perspective taking, those that are **connectors**, those that **have the vision** for the future and the **systematic ability to break it down** and help their organisations and teams get there quickly. This is the **end of the ego manager**.

The challenge with this is that it is difficult to do that with people who are **different from yourself** – can you imagine David telling Goliath “leave your armour behind and let's go for a walk with the herd of sheep”.

To show you how you can make diversity work for you, I want us to do a small exercise.

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[Circle of Trust]

You found a piece of paper on each chair, which I would ask you to use now for the following exercise. Please keep the paper still folded and fill out the first column with the names or initials of colleagues (senior, junior, same level) that you trust absolutely.

So we have all filled out the first column and now we are allowed to unfold the paper. [SLIDE] Please fill out the respective columns with the indicated information. You will not have to share this information with anyone, this is meant to be for yourself.

Is there anything obvious when you look on your list, anything you would like to share with the others?

**What we need is to become better at seeking people who are different from us to add to our network, to our inner circle.** What we need is to challenge our perceptions of the world and collaborate in the design of the future with other Davids and other Goliaths. We need **a lot more emotional intelligence (or EQ)** to manage the tensions.

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So our chemistry formula is shaping up to be something like this:





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I wish to say that this is easy to do and that once you have the formula figured out, it will be like in chemistry - just put the ingredients together and bam! You have it. But it isn't and we at Continental are still experimenting and learning. So let me share as an epilogue to this story, what we are doing.

In the age of the digital transformation, without diversity no innovation, without innovation, no new business. Our 4 core values are building the fundament that connects our diverse businesses and divisions, which are coming closer and closer today.

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When we talk about #diversity at Continental, we **do not speak about a program** but about a holistic and integrated approach. We do have initiatives that cultivate the necessary climate for such a transformation and ...

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one of these initiatives is our series of events called "**Diversity Summit - Digital Transformation: Shaping Tomorrow Today!**" And the resulting Transformation Champions network that comes of it.

The Diversity Summit is a two-day event for which we bring together senior leaders from all parts of the organization and all functional groups. Before the event they are asked a number of **questions about the culture** of Continental so that they can **collect data about the status quo** and particularly about how the innovation process works (and when it doesn't).

From the very beginning of the two-day event, the participants experience **a design thinking process** starting with empathizing with **each other's perspective and experiences** and **identify the mission** they would be on to transform Continental culture specifically related to the company's ability **to explore, experiment, innovate, and transform**.

They then dive into an exploration of **the start-up world in Berlin** to gain insights into how other companies experiment, learn, and transform. The participants are the researchers for the day – **a mindset full of curiosity**. Reflecting the interactions with the Start-Ups, collecting insights and learning ideas, **on the second day, participants describe the culture** that we need and design the path to realising it at Continental. We want to have an understanding of what is required of the **leadership**, who takes up **ownership**, how to establish **routines**, and how to make a purposeful **implementation**. We practice pitching and recognizing good pitches. We design our action plan and form commitments. At the end of the day, the group of participants become **members of the Transformation Champions Network**.

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We collaborate on the Diversity Summit with a boutique consultancy, [the Redlab](#), that specializes in transformation and leadership and is living diversity everyday through the 3 fantastic energetic, totally complementary co-founders.

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**Our goal with such an event is fundamentally to allow people to experience the youthful enthusiasm of David - and with that to start the reflection of how we as a Goliath are transforming. Diversity is a true catalyst here accelerating the transformation and innovation from years to just a couple of days.**

I always [picture this video](#) when I want to explain what we do [Dancing guy leadership video]. **[START VIDEO]** Each participant in the Diversity Summit becomes a Transformation Champion, **a first follower of the movement** - a follower **and** a leader; someone who has seen the perspectives, and who knows how to embed themselves in the design process; they are someone who is willing to lean into the differences and learn from them; they are someone who can focus people's attention to let them notice, develop, and participate in the ideation. Those people are the heroes of this story **and the ones who turn the state of diversity & inclusion from "not good enough" to "great"**.