



KORN FERRY
BE **MORE** THAN

GROWING **PAINS**

As digital businesses grow,
how do they hold on to
what made them great?





As the digital business landscape evolves at a relentless pace, organisations are faced with the significant task of utilizing the latest technologies, retaining top talent, and preserving culture.

This report explores how digital leaders can navigate their journeys as businesses scale. Drawing on insights from conversations with digital leaders, we introduce three evolutions of growing digital businesses: evolving leadership teams, evolving culture & values, and evolving business models, organization structures, and metrics.

Finally, this report offers guidance to Boards on orchestrating a seamless CEO succession, ensuring that leadership transitions become opportunities for growth rather than moments of volatility.

CONTENTS

01 The digital disruptors are growing up

04 Evolving your culture and values: protect your DNA

02 The starting point: what got you here won't get you there

05 Evolving your business model, org structure and metrics: always remember your why

03 Evolving your leadership team: to be successful, plan for succession

06 Advice for Boards: Make a success of CEO succession

01

THE DIGITAL DISRUPTORS ARE GROWING UP

Digital disruption has been with us for over 20 years. And many of the market's earliest disruptors—like ASOS, MoneySuperMarket and Rightmove have been with us just as long. Even Deliveroo turns ten this year.

Those nimble, challenger brands of old might have achieved household name status. But have they held onto the qualities that saw them take on the market? Or is losing their edge inevitable as they grow?

The data suggests these once sprightly businesses are slowing down. According to one study, just 13% of digital businesses that launched before 2005 say they have nimble teams today. And only 7% say they still constantly explore what new technology can do for them (Source: BCG).

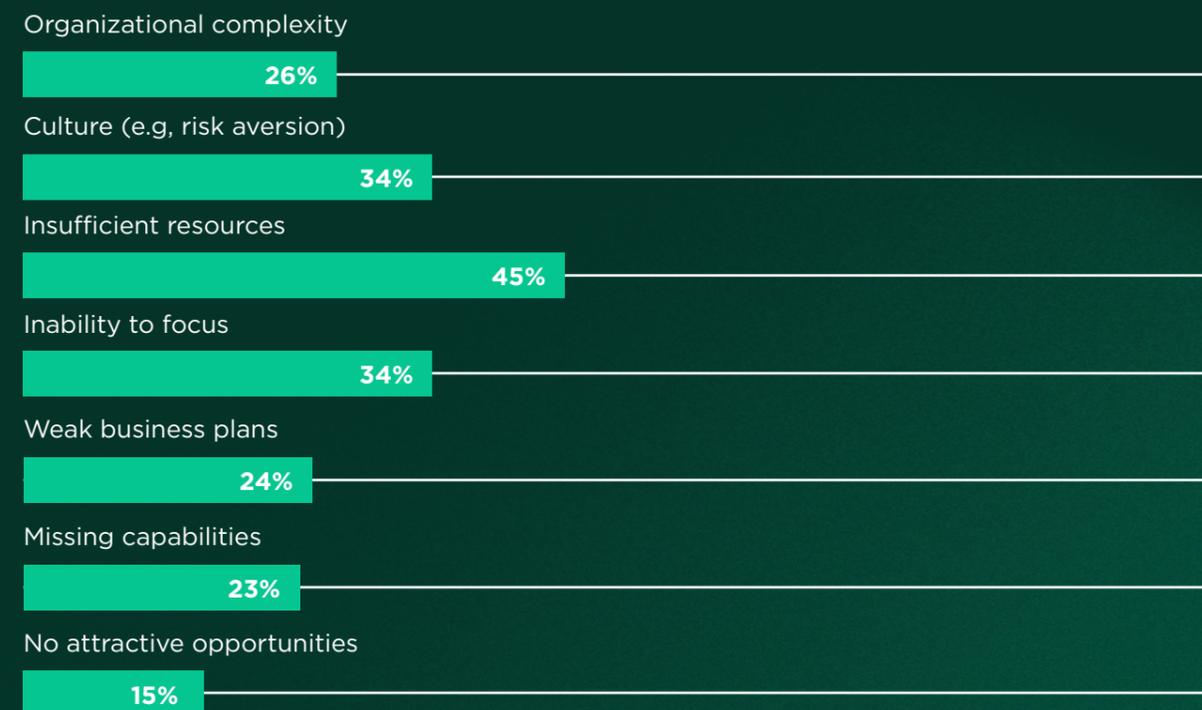
But if you're a disruptive business that isn't disrupting any more, bigger problems follow: How do you hold onto the latest tech talent

if you're no longer innovating? Are you still genuinely set up to solve your customer's challenges? Or are you leaving yourself open for new competitors to steal your ground?

We spoke to current digital leaders to understand the growing pains their businesses experienced as they scaled—and how they overcame them.

The good news is that there is good news. Staying nimble as you grow isn't easy, but it's possible. The trick is to locate the essence of what made your business great to begin with, then rearticulate it as you grow.

FACTORS RELATING TO THE FAILURE TO REACH GROWTH AMBITIONS IN HIGH GROWTH BUSINESSES



Source: Bain & Company



MEET THE LEADERS WE INTERVIEWED

ADAM CJ PARK

UK CEO of recipe box retailer
Hello Fresh since 2022

ANDREW FISHER

Chair of **Rightmove**
since 2020

ANDREW KENNY

Chief Commercial Officer at
Just Eat Takeaway.com since 2022

AVRIL PALMER BAUNACK

founder of **Constellation** in
2014 and Exec Chair of **BCA**
(owners of online car dealerships,
Cinch and **WeBuyAnyCar**)

BRIAN MCBRIDE

former **ASOS** and **Amazon** head
and Chair at **Trainline** since 2019

CHARLIE BRYANT

CEO of online property portal,
Zoopla since 2018

CLAIRE AINSCOUGH

Chief People Officer at online
supermarket **Ocado** since 2019

DANA DUNNE

CEO of online travel company
eDreams ODIGEO since 2015

EBEN SERMON

VP Continental Europe,
eBay

EVE HENRIKSON

GM EMEA Delivery at online food
delivery business **Uber Eats** since 2021

GARY MORRISON

CEO of global online travel agent,
Hostelworld since 2018

GEOFFROY LEFEBVRE

CEO of online pet store
Zooplus since 2022

JOHN MANGELAARS

CEO of global travel
marketplace **Skyscanner** since 2021

NICK BEIGHTON

former CEO of **ASOS** and CEO
of **MatchesFashion** since 2022

PETER DUFFY

CEO, **MoneySuperMarket Group**
since 2020

ROBERT GENTZ

Co-founder and CEO of online
retail company, **Zalando**

VIC DARVEY

former CEO of online estate
agent, **Purplebricks**

02

THE STARTING POINT

WHAT GOT YOU HERE WON'T GET YOU THERE

With the exception of Robert Gentz at Zalando, the leaders we interviewed have one thing in common: they're not the original founders of their organizations. And that's increasingly the norm with growing digital businesses. The team that takes you from start-up to success story won't always be the best team to guide you on the next leg of your journey.

As a founder-CEO, deciding whether you have the right top team in place all depends on their capacity and desire to evolve with the business—and yours.

Our advice? Don't wait until you've lost your first mover advantage to make changes. The sooner you act, the longer you'll stay ahead.

Hostelworld's story is just one example of a business that grew complacent—letting competitors steal their lead.

Hostelworld's original CEO had long gone when Booking.com arrived on the market. Until then, Hostelworld's business had been safe and steady. It grew every year, but it wasn't innovating. That gave Booking.com the room it needed to swoop. And it did.

Gary Morrison, the CEO since late 2018, recalls that all the founder's "fairy dust magic" had gone. The once stable business was now in sharp decline, and they were left with a team of "people who'd been working there for 15 years, with no experience of how to deal with a competitor like Booking.com. They had very little idea what to do to save the Company."

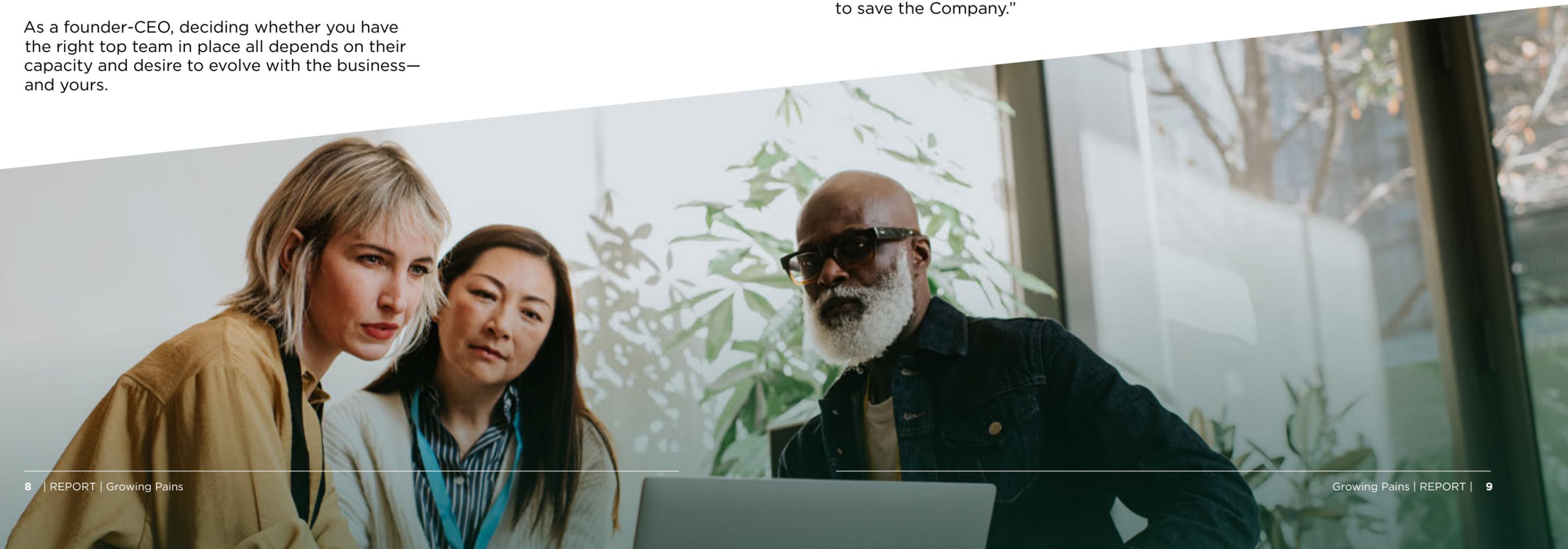
Hostelworld had two choices: reinvent or die. They chose to reinvent. And they're not alone.

THE THREE EVOLUTIONS OF THE GROWING DIGITAL BUSINESS

The leaders we met all evolved their businesses to survive. Their examples show that digital organizations can do more than simply cling on to what made them great. With the right mindset and approach, they can evolve, reinvent and ultimately thrive.

The digital disruptors have grown up, not given up. We've distilled the changes they've been through into three fundamental evolutions.

These are the changes and challenges it's essential to plan for as you scale.



03

EVOLVING YOUR LEADERSHIP TEAM

TO BE SUCCESSFUL PLAN FOR SUCCESSION

“

The first team is never the middle or end team, ever.”
Avril Palmer Baunack,
Exec Chair of BCA



If you're the founder of a digital start up, are you the best person to lead the scaled up, grown up version of your business? And do you want to?

For Brian McBride—Trainline's Chair since 2019—"The good founders are the ones who know what they don't know and hire people accordingly. There comes a time when they have to get out of the way."

That doesn't necessarily mean you should step down. Claire Ainscough—Chief People Officer at Ocado—praised Ocado's founder Tim Steiner's approach. Tim is one of those rare founders who is still CEO over 20 years on. The secret to his successful tenure? In part, it's being quick to know when to bring in deeper expertise in areas such as HR, finance and advanced technology. As Claire says, "You need people with those core skills around you that you can't do yourself or don't have time for."

Developing the self-awareness to recognize gaps in your own knowledge can be easier said than done. Without the help of objective assessment, there's a natural tendency for any of us to hire in our own image.

“

Founders lead with heart and gut and some have a tendency to surround themselves with people who are like them. People too different from them eventually leave or are driven out. This can result in abnormally uniform organizations."

Geoffroy Lefebvre, CEO of online pet store Zooplus since 2022

It's also vital to recognize the new challenges and demands on businesses today. As Dana Dunne, CEO of online travel company eDreams ODIGEO says, "Change is inevitable and the ability to thrive means embracing the change, rather than conservatively capitulating when no other option is available. This is not change for change's sake, but rather a recalibration of business as we know it, to bravely become business as it should and will be. And success stories will come where business leaders are willing to look at change holistically and take the informed leap."



To stay a valuable part of your business as it grows, self-awareness, and an understanding of the specific skills you do (and don't) bring to the table is vital.

In the case of one company, the co-founders made room for a new CEO to join, while still having a say on marketing and trading—their joint specialisms.

And it's not only the top team who are likely to change as you scale.

Don't be surprised if the tech experts who got your business up and running don't stick with you. "We find young digital guys get bored easily and move on to the next thing," says Avril Palmer Baunack.

Sometimes, these moves are amicable and expected. But it's not always harmony at the top. Not all founder CEOs will be ready to step down or embrace new perspectives when they hit a certain size. And the teams who work for them won't always be as motivated under a new leader.

We've seen three distinct tensions in mindsets and skillsets amongst founders and boards. And so have the leaders who've replaced them.

01 | RAISING MONEY VERSUS MAKING MONEY

As a charismatic leader, you know how to sell your vision, attracting talent and crucial early investors. But, as Avril Palmer-Baunack says, "Most start-ups don't know how to make money."

Ultimately, that's a problem. Your growth phase can only last so long before investors expect you to return a profit.

That change in approach can cause a culture clash if you're not careful. Peter Duffy—MoneySuperMarket Group's CEO—described just how important it is to make sure the people who know "what good looks like" commercially can also blend with original team members who typically come from a high growth tech background.

As you move from a mentality of spend, spend, spend, to one of turning a profit, communicate clearly with teams to bring them on that journey with you.

“

Some people thought the money would never end. Then rules were put in place and it was hard to take.”

Avril Palmer Baunack,
Exec Chair of BCA

If it's time for your business to move into the profit-making phase of its expansion, consider if bringing in a new CEO or CFO could make that possibility sooner.

THE ASOS STORY

SUSTAINABLE FAST FASHION NEEDS SUSTAINABLE INVESTMENT AND PROFIT DISCIPLINE

When Nick Beighton joined ASOS, he described it as "a website with product on". They hadn't figured out how to make money on clothes. They had no mobile site. And they'd tested lowering delivery charges—but the more they lowered them, the more returns customers made, denting profits further.

The site and business went through big changes between 2009 and 2021. They began digital marketing campaigns and used pay-per-click for the first time (which became a considerable revenue driver).

“

Profit was our discipline to guide resource allocation and investment. I made it more commercial, more efficient—30% of the sales were at markdown (when I joined). We needed to get better at stock management. We got that down to 17% by cutting out duplication and me-too width which took out the products that weren't differentiated. The gains were reinvested into better product, new brands and better customer experience. We also doubled down on tech—expanding the tech base and re-engineering the architecture by moving it to the cloud. We also invested heavily in logistics, without strong logistics it isn't e-commerce...the product needs to be delivered and handled both ways quickly, efficient with low cost...we were developing a productive loop and invested the productive gains into a better customer service proposition.”

Nick Beighton, Former CEO of ASOS

They launched a mobile app and focused on exciting customers with newness—bringing in 600 new products a week. They also tested local propositions around the world—but once the right payment and return processes were in place, they found their bestselling clothes were the same all over. "Global trends were global."

During Nick's time at the top, ASOS transformed: becoming a highly profitable business in the process.

02

MOVING FAST AND GROWING SUSTAINABLY

Although it's easy to assume that shareholders are the ones pushing for growth—that's not always the case. In the early days, risk-hungry founders can create problems for their businesses if they expand too soon.

Brian McBride says, "I've never heard shareholders say, 'you need to expand'. It's driven by business ambitions and founders and management who think they could make a bigger business." But that confidence and push for growth often brings added pressures.



Because there's been so much M&A and because we operate in so many different markets, we are conscious that there needs to be a recognition that culture can be centrally led from a founder, a CEO, and that facets of that culture seep out all over the world. But there's also recognition that there are individual cultures found in our markets—what that looks like is of course different in Germany than it is in Poland and the US, Canada etc. But it's important to ensure that there is a cultural red thread that's connecting everybody at some level throughout the organization—and that comes from the top down."

Andrew Kenny, Chief Commercial Officer at Just Eat Takeaway since 2022

"For each country you go into, complexity increases exponentially—all of these add cost and bureaucracy—putting increased burden on leadership."

If you're planning on expanding overseas, consider how you'll replicate your energy when you're not physically present. It might feel like a tough ask, but it's possible—if you know when to step in and when to relinquish control. That's something Just Eat Takeaway has grappled with as it's grown.

When you're a Founder-CEOs you tend to have a passion for moving fast and growing your business just as quickly. Zoopla has acquired several start-ups, and on occasions sees a clash between the start-up top teams and the Zoopla incumbents: "You can get a real frustration from the founder that they're not able to build things up and roll them out quickly in a more structured/mature corporate environment. And then you can get frustration from the incumbent leadership team who feel the incoming startup team is a little more cavalier...It's the clash between small and nimble versus large and steady."—Charlie Bryant, CEO of online property portal, Zoopla since 2018.

It's essential to be aware of the differences in outlook and risk appetite between founder CEOs and their more corporate counterparts.

The bold, risk-taking approach that gets a start-up noticed is rarely the right approach to satisfy investors in mature organizations. It can even have the opposite effect. And perhaps explains why so many tech CEOs have been pushed or stepped

down from their positions in recent years, including Travis Kalanick at Uber, Jack Dorsey at Twitter and Andrew Mason at Groupon.



Those who have the idea cannot necessarily run the business."

**Avril Palmer Baunack,
Exec Chair of BCA**

Of course, there are always exceptions, Vic Darvey—former Purplebricks CEO—talked about Jeff Bezos's approach. "To remain the leader of the organization over such a long period, he quickly evolved to changing environments. He understands the importance of an operating model. Often you hear founders say that when the business becomes too big they feel they have lost their voice and ability to innovate."

As a founder, it's essential to reflect as your business grows. Ask yourself honestly if you're the right person to lead your business as it continues to expand. Some leaders can, but they're few and far between.

03

BIG PICTURE VERSUS BRUSH STROKES

Consider what you can and can't control as a business grows, too. In the earliest days of a tech startup, everyone works on and sees everything. But that can't and shouldn't last forever. A desire to see everything is a tendency Charlie Bryant at Zoopla sees in himself, "I think the most common fault of so many executives, me included, is just getting too into the detail and too close to the coal face."

Leaders coming in from mature businesses, know it's simply not possible to get that close to every detail. Gary Morrison described his time at Expedia as being part of a 'monolith' where "you never have a helicopter view, so you don't see how one part of the system affects another part of the system."

Yet knowing you're getting too close to the minutiae of the business and learning to step away from it are very different things. Even if you make room for a new CEO, you could struggle to relinquish the control you've been used to. "The hired CEO wants autonomy, but founders may not want to let go.

This transition phase is instrumental in moving forward and getting this right is critical."—Andrew Fisher, Chair of Rightmove since 2020

Even if a new CEO brings a helicopter view, they'll still need to understand how all the components of the business work together—and keep them working together if they don't want silos to emerge. Many of our leaders described the risks of developing fragmented self-serving teams as they grew. Falling into the fragmented thinking trap is a sure-fire way of losing your advantage—fast.

THE CINCH STORY: COMPLETE CHANGE AT THE TOP

Cinch only started in 2019, but the entire top team—apart from the founder—has already changed. Some have changed twice. The path to becoming more commercially focused isn't always smooth. Cinch certainly found this within its finance function, where the business needed to balance an instinct to cut costs with the need to invest in marketing.

FOUNDER-CEO CHECKLIST

TIMING YOUR RUN

Unsure whether you're better served evolving with your business or moving to a new venture? (Korn Ferry research has revealed that founding CEOs tend to stay longer on their CEO roles which contrasts sharply against the CEO population). Here are the questions to consider.

We've found that leaders who are driven by detail and growth over profit and a big-picture view are likely to find the transition to leading a scaled-up version of their business tough. But staying on as a leader is possible: if you surround yourself with a trusted top team who can bring in the skills and perspectives you might be missing.

Are you equally motivated by profit and growth?

Do you prefer to be close to the detail or have a helicopter view?

Which areas of the business and your role motivate you most?

And which motivate you the least?

Will your specific strengths become more or less relevant as your business grows?

04

EVOLVING YOUR CULTURE AND VALUES

PROTECT YOUR DNA

Executives in the World's Most Admired Companies say 30% or more of their companies' market values from culture. So, considering the culture you have and the culture you need will be vital for your bottom line.



Your organization's DNA comes from the people, the founders, the product insight, and behaviours that are wrapped around that."
Peter Duffy, CEO of MoneySuperMarket Group

If you step away, be aware of all you could take with you. As Avril Palmer Baunack says, the founder's charisma doesn't just raise finance ... "after the first year, it pulls people with them."

As a founder, you naturally create a fellowship in your business, and build great ambassadors in your earliest hires. You're also in an ideal position to set a strong culture from the start: "eBay did really well on culture—putting a clear emphasis on the company's purpose as a driver of economic opportunity for all but also on the company's values. These are deeply felt and core to the DNA. Finding a purpose that resonates is so important." Eben Sermon, former VP Continental Europe, eBay

But setting the tone doesn't sit solely on your shoulders. We always say your company culture is your people's collective behavior at scale. And in a fast-moving, rapidly changing business, you have to work even harder to maintain the culture you want.



Growth of the organization but also turnover in terms of people can be very quick—which is both challenge and opportunity—you have to focus on actively driving the culture you want so you don't lose it."

Eve Henrikson, GM EMEA Delivery at online food delivery business Uber Eats since 2021

One CEO noted that if your average churn is 25% that equates to 100% in 4 years which puts a real emphasis on injecting a strong ethos in the business to maintain it.





SO HOW DO YOU CODIFY YOUR CULTURE?

The sooner you write things down, the better. “When you move to 2000 people from 50, you do need to write things down, as not everyone has access to the founder.” Vic Darvey, former Purplebricks CEO

But this isn’t an exercise in interior design. “It’s not about posters on the wall, it’s all about truly embodying values that are relevant to people.” Dana Dunne, CEO of eDreams ODIGEO. His business also takes care to listen to its people—sending out people surveys

regularly to monitor employee satisfaction, organizing weekly company town hall gatherings to promote transparent communication and fostering a culture of honest feedback and collaboration. And the team has invested heavily in L&D to embed its values.

While you might set your culture initially, remember it’s the rest of the business that has the power to make—or break—it. And that largely depends on who you hire, and if you hold onto them.



WATCH OUT FOR TRIBES



Be careful that internal culture wars don’t erupt and become more important than outcomes.”

Peter Duffy,
CEO of MoneySuperMarket Group

Teams that were originally focused on outcomes for customers through their products, can become more internally orientated, defensive of change, less willing to work together and as a result, lose the outcome focus.

The larger you grow, the more likely it is that organizational structures can fragment teams into silos or tribes.

Keep reiterating your purpose to bring people back to the goals that matter.



WHERE WILL YOUR NEW HIRES COME FROM?

As you scale, think carefully before simply recruiting from only your closest industry competitors. Peter Duffy warns, do that “too often you become the company you had wanted to beat.” If you’re not innovating past your competition, can you really call your business a success?

Nick Beighton warns against simply closing an immediate skills gap, too. “As an exec, you feel the pressure to change the team and bring an individual with sets of experiences

that you think will get you to a better place, without testing their aptitude to solve problems. I hired for skills because there was a need, but got the wrong attitude. Skills can be developed. Aptitude for the task was harder to develop.”

As your business evolves, getting clear on the traits, drivers and attributes you need in the team, not just past experience and specific skills, will help you hire people with a strong fit for your culture and their roles.



PUTTING YOUR CULTURE TO THE TEST

Is your business set to hold onto the ingredients that made it great as it grows?

Here are some questions to consider.

- > Can you (and crucially, have you) put your culture into words?
- > But does that culture also exist beyond words on a wall?
- > Have you defined the behaviors you expect from your teams?
- > Do you and the rest of your top team model those behaviors?
- > Does your induction for new starters focus on culture?
- > Does everyone at every level in the business understand your purpose—and the part they play in bringing it to life?
- > If you’ve expanded overseas, what steps have you taken to keep your culture intact?

THE KORN FERRY VIEW ON CULTURE



JAYANTH POORNA
Associate Client Partner

We spoke to Jayanth Poorna, Associate Client Partner, about the role culture plays in setting up new external hires for success in a growing digital business. Here's his take.

In today's rapidly changing business environment, organizations often rely on external talent for senior leadership positions to bring in new skills, perspectives, and experiences. However, the success of these leaders often depends on whether the organization has established the right cultural environment to support their onboarding, integration, and long-term success.

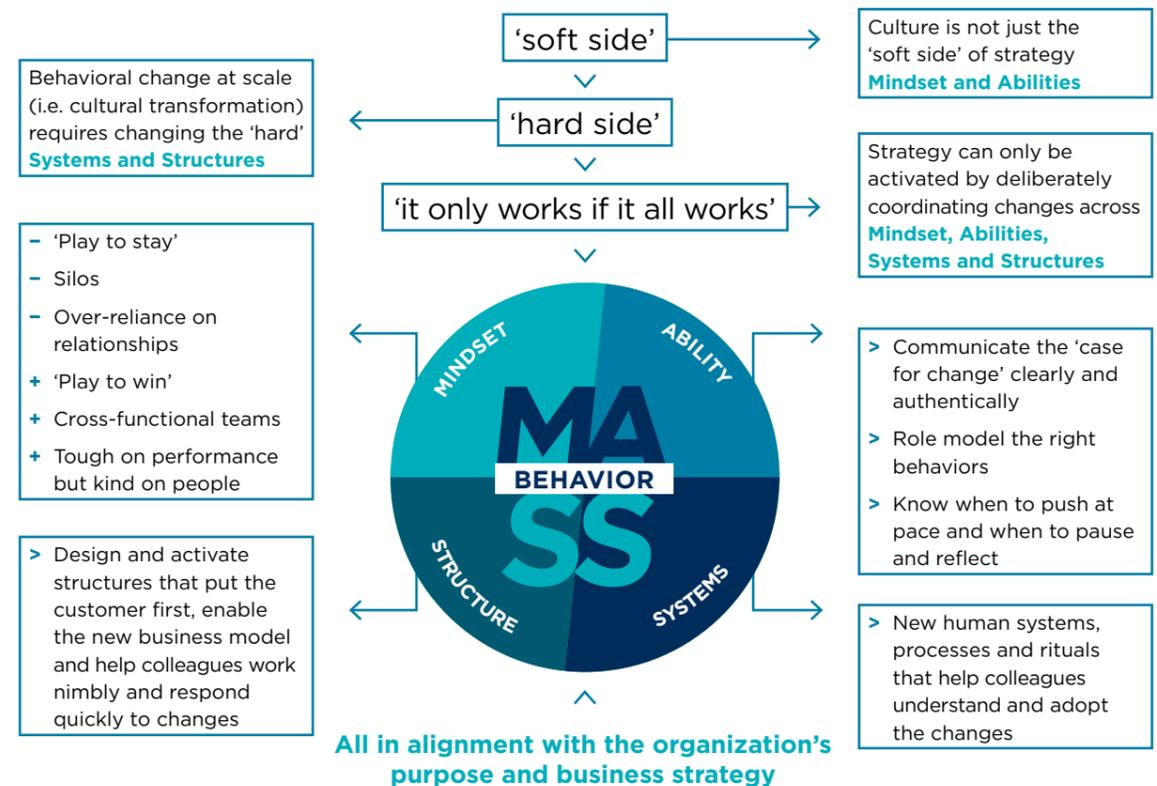
This is particularly important when it comes to external hires who are often brought in to lead and drive transformation within an organization. Often, such leaders are hired for the specific experience they bring, or the turnarounds they achieved in their previous roles that are deemed crucial and relevant to the new organization. However, while the focus throughout the recruitment process is on ensuring the right expertise and knowledge of the candidate, similar attention may not be given to the existing culture of the ecosystem in which this external hire has to land and function.

The right culture can help the new hires feel welcomed and valued. This in turn increases their engagement and reduces time to peak productivity by enabling them to build strong relationships with existing teams and work collaboratively towards shared goals.

On the other hand, in a culture where there is significant resistance to change, existing leaders can often close rank and openly oppose new approaches suggested by the incoming leader, or passively undermine the new leader's efforts by denying support and cooperation. This can lead to feelings of isolation, frustration, and may ultimately result in the new hire leaving the organization before having delivered any real value.

So, while it is important to get the external "organ" right, it is equally vital to ensure that the receiving "organism" has the right culture to avoid the expensive prospect of organ rejection.

EMBEDDING THE RIGHT CULTURE THROUGH EFFECTIVE CHANGE MANAGEMENT IS VITAL FOR ACTIVATING STRATEGIC PRIORITIES



Cultural transformation, which is behavior change at scale, can only be achieved by deliberately coordinating changes across mindsets, abilities, systems and structures (MASS) across the organization. Often, the focus during external hires is on the internal structure and reporting. But what about the existing mindsets, for example, around openness to change? Do leaders and teams have the right abilities, such as adopting more agile ways of working? Are systems and processes for onboarding designed to provide the best experience for the new leader and set them up for success?

Carefully assessing their current MASS elements and identifying the changes that are needed, setting clear expectations with teams around

the reasons for bringing in the new hires and the role they will play in the organization's transformation, and providing relevant training to existing employees are some of the things that organizations can do to help their new hires land well and hit the ground running.

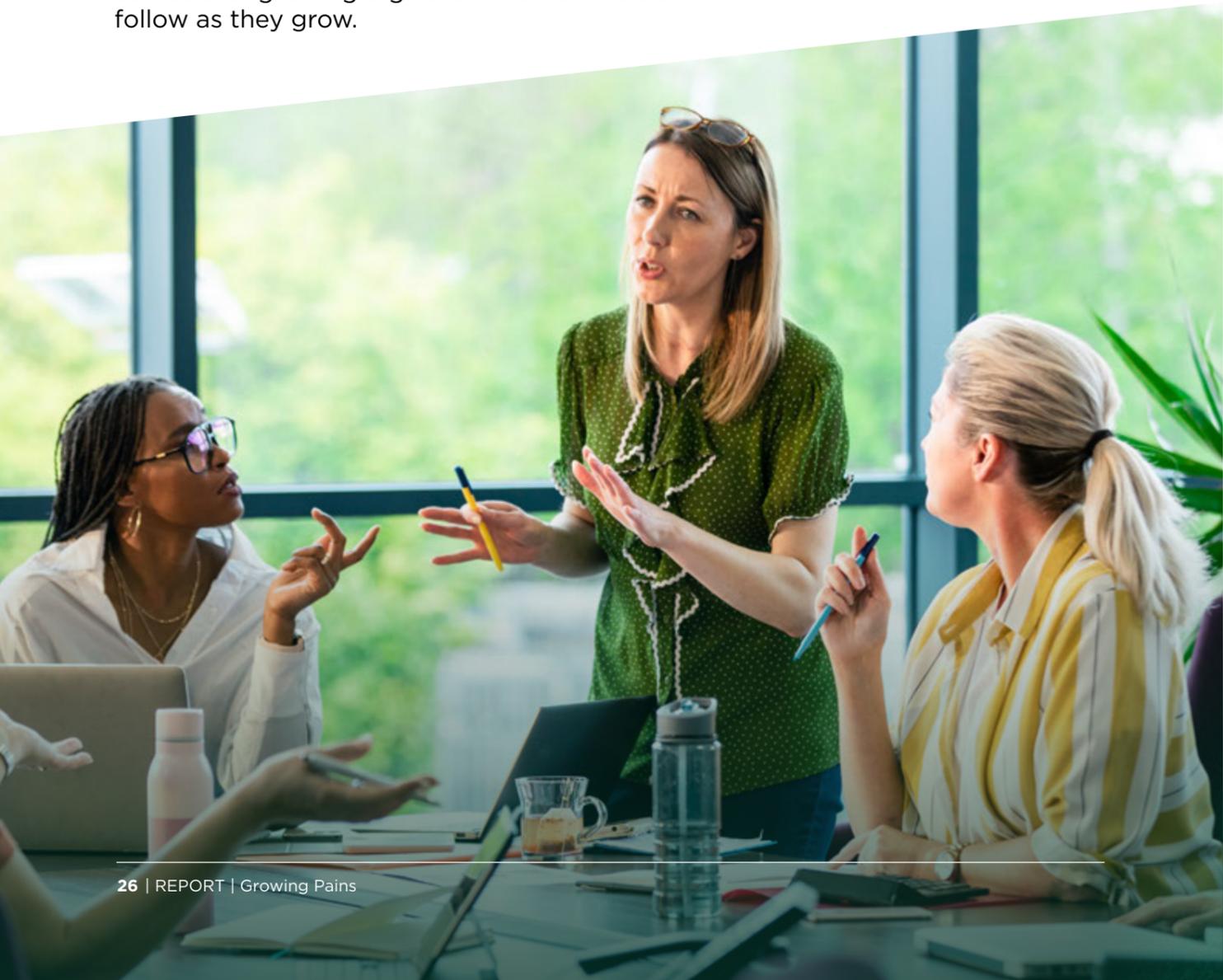
In conclusion, establishing the right cultural environment is critical to the success of external senior hires within an organization. A supportive culture can help to break down barriers and enable new hires to integrate and contribute to the organization's success. By taking a proactive approach to cultural integration, organizations can set up their external senior hires for success and ensure that they thrive within the organization.

05

EVOLVING YOUR BUSINESS MODEL ORG STRUCTURE AND METRICS

ALWAYS REMEMBER
YOUR WHY

The leaders we spoke to gave four pieces of advice that growing digital businesses should follow as they grow.



01 LISTEN TO YOUR CUSTOMERS

When Booking.com challenged Hostelworld's business, they regained lost ground by refocusing on their customers.

“

We made a decision that we were going to be product-led and to build products that delivered more value to consumers than our competitors could. Fundamentally, people go to Hostelworld to meet other people, not because it's cheap. So we built social features that help them find other people to hang out with. It's simple and elegant. That's what the company is about.”

Gary Morrison,
CEO of Hostelworld

Skyscanner, too, succeeded by staying focused on customers throughout. “Travelers' needs have long been at the heart of our business. We care about them, listen to them and focus on solving their problems. We always start with the traveler, viewing situations through their eyes first. Then we understand how our relationships with trusted partners and our technology heritage can help everyone in the marketplace thrive.” John Mangelaars, CEO of online travel agency Skyscanner since 2021.

And Dana Dunne at eDreams ODIGEO described needing to involve customers throughout the creative process: “Building remarkable products requires

the presence of the customer in every phase of creation. Companies must go beyond merely receiving customer input; they engage in active listening, decipher their requirements and needs, and transform them into tangible solutions.”

Customer focus should be a given for any business. But Peter Duffy warns just how easy it is for organizations to get sidetracked as they scale.

“Young companies are very good at listening to unserved customer needs. As they grow, they can become more internally focused. But they need to keep that connection to what made the business successful—guard against professional managers who may not be open to that.”

It's certainly a problem Zalando recognizes.

“

For companies that continuously grow, it's important to stay focused on the problems their business is aiming to solve instead of focussing too much on internal matters. Doing something meaningful for the customers is always a priority. Companies that are too internally focused also attract people who are interested in being internally minded!”

Robert Gentz,
Co-founder and CEO of
online retail company, Zalando

To stay relevant as you grow, keep coming back to your purpose and the problems your business is here to solve.

02

CREATE A STRUCTURE THAT KEEPS YOU FOCUSED ON YOUR GOALS

“You have the top line growth that everyone’s chasing. How do you put a structure in around that, without killing the start-up feel of the business or getting choked in the process?” asks one CEO.

Your business might be bigger, but that’s no reason to adopt the hierarchy and bureaucracy of traditional corporates. If you’re hiring from the corporate world, don’t let those new hires dictate your structure.

“

You hire a marketing director. They want to hire five people as that’s how they’ve done things before. Then other managers want five hires too. And the complexity grows.”

Peter Duffy,
CEO of MoneySuperMarket Group

The risk of complexity slowing you down as you grow is inevitable. The strongest top teams actively seek out ways to keep things simple.

“

As a management board and leadership team, we are continuously challenging ourselves to remove as much complexity within the organization as possible. And it’s never ending. When we get it right, we make decisions faster, which ultimately sets the pace of innovation in the business. We are very hard on ourselves on this, because we always want to go faster.”

Andrew Kenny, Chief Commercial Officer at Just Eat Takeaway

Andrew Fisher agrees—recommending that sometimes businesses need to “spend time looking back as well as looking forward. When you remember what aspects of your process and ways of working gave your business an edge, you can find ways to protect or recreate them. Let’s look at one example. In the early days of a company I previously founded, we could deliver a customer solution within an hour after a meeting. It was a USP enabling us to win major contracts. Three years later, customers told us what once took 30 minutes now took several days. When you unpack that, you realize the cost of introducing too many processes as your business matures. You have to work hard not to lose focus on the aspects of the business that helped you scale rapidly.”

Putting the right operating model in place needn’t choke your business. Done right, it could help you regain your lost edge. The clarity it brings can even free your people to make better decisions.

“

It’s not the most exciting part of the business, but we’d never be able to empower people without a very clear operating model.”

Vic Darvey,
former Purplebricks CEO



03 | DEMOCRATIZE YOUR DATA

As the business grows, so does the performance data you generate. Share those numbers widely. Hostelworld makes a point of sharing predictive data in weekly emails. The data monitors how the business has performed that week, and what that would mean if it had similar results over the next month, quarter and half year. It's an approach that treats people like owners—and drives all the right behaviors.

Sharing data also unites teams behind a common cause. "I always have to remind myself that not everyone knows everything that's going on in the organization and it's important to provide context so everyone can feel like they are part of a mission and understand how they contribute." says Adam CJ Park, UK CEO of recipe box retailer Hello Fresh since 2022.

Better still, faced with the same data, everyone can play their part in improving the business.

“The data is all democratized. Everybody gets the same emails. It means finding and fixing stuff is very, very quick.”
Gary Morrison,
CEO of Hostelworld

If you're deliberate about the data you collect, and you share it widely, you can use it to build an even more successful business over time.

04 | KEEP EXPERIMENTING

“The longer I spend at Skyscanner the more strongly I believe that our success is rooted in continuously getting better what we do well already and finding breakthroughs in specific areas. Technology moves fast, but great ideas and great principles are always important. Innovation can come from a great idea, at the right time, and the tech can follow if the core principle is strong.”
John Mangelaars,
CEO of Skyscanner

The leaders we talked to all learned from mistakes. When hires, systems or structures weren't working, they changed them. That willingness to try new things is perhaps the attribute of digital start-ups that will stand them in best stead as they scale.

And remember, decisions you make don't need to last forever. If something's not working, change it.

“When we saw people or organizational structures not working out, we didn't waste any time changing them. We rotated people out—even people that we hired. We changed the organizational structure at least two times. It's more of a journey of persistence and willing willingness to go, 'This isn't working, so we'll try something else'.”
Gary Morrison,
CEO of Hostelworld

The digital leaders we spoke to didn't just grow their businesses, they instilled a growth mindset in their teams, too. Making mistakes is inevitable. It's how you learn from them that has the power to make you successful today—and tomorrow.

IS YOUR ORGANIZATION STRUCTURALLY SOUND?

AS YOU SCALE, HERE ARE THE KEY QUESTIONS TO ASK:



Are your processes written down—and do they fit a bigger business?



Do you know what your customers want—when did you last ask them?



Have your processes evolved so you can still deliver everything customers expect?



If scale has added complexity, what can you streamline or change to speed up?



What data do you collect, and who do you share it with?



When something doesn't work, how do you learn from it?

And each time you're tempted to add an extra layer of bureaucracy to your business, ask what it will achieve. Just because a process has worked in another organization, that doesn't automatically make it right for yours.

06

ADVICE FOR BOARDS

MAKE A SUCCESS OF CEO SUCCESSION

Considering change at the top?
Here are three things to think about.



PLAN AHEAD

When so much of a new business's culture comes from mirroring the founder's behavior, it's naturally destabilizing if they suddenly step away.

You can't replace that energy with 'values words' plastered on a wall. Or by helicoptering in a new CEO to act as a company doctor. Like any succession planning, it's best done over years not weeks. Start those conversations now.



UNDERSTAND THE ESSENCE OF WHAT MADE YOU GREAT

Stay ruthlessly focused on the problems your business exists to solve and the outcomes you're aiming for. Growing businesses have a tendency to look in, not out. But that's a recipe for missing valuable customer insights, not to mention missing warning signs that innovative competitors are on your heels.



BE READY TO TRANSFORM YOUR CULTURE, TOO

91% of executives agree that improving their corporate culture would improve their market value, too.

A single founder can't represent your culture in the long run. That comes from the behaviors of all your people.

The risk for organizations that don't codify their culture early is slipping into 'culture by default' as they scale. We believe in culture by design. If you intentionally plan and invest in the culture you want, you'll accelerate your business strategy and attract and keep the best people as you grow.

THE KORN FERRY VIEW ON CEO SUCCESSION



LUCY MCGEE
Senior Client Partner

We spoke to Lucy McGee, Senior Client Partner in our Board Practice. Here's her take on the triggers that often spark change at the top of founder-led businesses—and the part a strong Chair can play in setting your business up for success.

CEO SUCCESSION IN A FOUNDER-RUN BUSINESS.

“Whenever you see a successful business, someone once made a courageous decision”, says Peter Drucker. What more courageous decision than stepping back from the business that was founded and built on your own, personal inspiration, dedication and perspiration? While founding a business takes conviction and guts, an entrepreneur is making the hardest call of all when he or she finally realizes it's time to pass the baton.

It's a truism in the world of executive development, coined by Marshall Goldsmith and based on the insight that reinventing ourselves as we rise in organizations is necessary and hard: “What got you here won't get you there”. It's also true of businesses.

The kind of contrarian human who brings an obsessive energy, a manic work ethic and a visceral connection to the ‘problem space’, as Venture Capitalists call it, is rarely made of the same stuff as the CEO who builds the corporate infrastructure, processes and governance that enable it to thrive sustainably.

But timing is everything. At what point does a CEO, so immersed in every detail of running the business and where 80 hours is a light week, start to see that they are more impediment than enabler? The over-confidence that's often in the wiring of entrepreneurs works against this. Further, they are emotionally bound to many of the people they work with, and their community, purpose and even, identity, are found within the office walls more than at home.

It's rare for a person in such a situation to initiate and commit to letting go; most founder CEOs do not voluntarily devise a succession plan.

It can often take a seminal event to trigger such decisions, whether an IPO, a cash crisis or intensified market scrutiny. This is where the mechanisms of a Board come into their own. If the founder has been really smart, they will have welcomed the creation of a structure that provides checks and balances to their own preferences, as dearly held as these may be. The Board and, in particular, the Chair, will be someone for whom the CEO has respect as being very different from themselves. Their broad experience and external perspective will be heard as supportive of a healthy after-life for their investment capital, rather than a personal attack on a now redundant skillset.

The Chair's first job is to create distance between the personal and the person. In other words, founder-led companies tend to frame the next CEO by contrast to today's; perhaps they need to be

like the current incumbent in ways that link to culture or product passion, but more than, in those connected to execution rigor and predictability. So, it's critical that the Chair (and any Nominations Committee) are guided through a process to answer the question: “Given what we know about where we will play and how we will win in the future, what skills, experience, and attributes of character and motivation in our CEO will maximize our chances of ongoing success?” The founder CEO can contribute to this, but—probably unlike most decisions in the company today—their views should not be decisive.

Discussions with an objective third party who can challenge received wisdom and implicit assumptions is helpful here. They can ask the ‘taboo questions’ that a colleague can't. They can stipulate a process that makes for openness, transparency and a strong, research-based calibration against what other companies of similar type and context have found to be material, too.



Once articulated, this future-facing profile gives the business and the founder an immeasurably more dispassionate way of exploring options. It reduces the emotional tug that most founders experience when they begin to think about their baby's 'adoption', not least because it speaks to a core desire to ensure the company thrives without them. It also provides a set of metrics against which to evaluate both internal potentials and any external contenders, with space for a wider array of backgrounds, sector experience and technical knowledge than would have been possible for someone who is simply the next 'torch bearer'. This is especially important in tech companies, because these businesses tend to be very complex and diversity of backgrounds is even more crucial.

Third party support, again, is powerful here. External assessment against the CEO profile supports an objective discussion and a weighing of options whilst controlling for the interference of personal biases. And, assessment that is truly developmental ensures that 'all ships rise' and the business attains the end of the process with a stronger, more self-aware executive team than it started it with—whatever appointment decision is made.

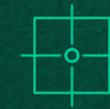
B C Forbes said: "If you don't drive your business, you will be driven out of business". Tales of promising companies, where the loving embrace between founder CEO and their progeny have become suffocating, abound. Driving your business into the arms of another CEO and leadership team might prove to be the greatest love of all.

WANT TO EASE THE GROWING PAINS IN YOUR DIGITAL BUSINESS?

Talk to us today about:



Leading through change and CEO succession planning



Finding and keeping top talent



Digital and cultural transformation for growth

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READY FOR MORE?

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.

Business advisors.

Career makers.