

# Decoding Digital Leadership

## What you need for surviving digital transformation is not digitally savvy leaders

Digital transformation requires top to bottom organisational transformation, which requires leaders who are willing and able to leverage digital to innovate, fail fast and drive value in an ambiguous context. Are your leaders equipped to drive digital transformation? With the pace of disruption driven by the digital revolution, how can you even begin to know how to address that question? We argue that the question is not really about digital at all; the issue strikes at the core of leadership itself.

“74% of 1,254 global business executives surveyed state that they have a digital strategy, but only 15% believe they have the necessary capabilities and skills to execute that strategy”

Forrester, 2014



It's coming to all of us. Sooner or later. It might come from deep within the organisation, emerging through disparate teams, processes or business units. It might be forced from the outside through market disruption from challenger start-ups or innovative competitors in the market. Whichever way it comes; it will be transformational. It challenges the core of the business, its strategies, processes, operating models, margins, routes to market and customer relationships. From the top to the bottom of the value chain, it is a revolution akin to industrialisation. The digital explosion, predicted since the late 1970s, is now upon us – a short fuse is all that's left; a second 'big bang' is imminent.

The digital explosion reforms the business landscape across all sectors. Incumbents' positions are threatened by new entrants to the market ranging from small, fleet of foot start-ups (OnTrees, Walnut) who leverage digital business models to shake up convention, to giants from adjacent industries (Google, Apple, Amazon) who are able to exploit customer data, trust and insight alongside digital innovation, to enter new markets and disrupt current paradigms. A defensive, rear guard action to fend off the threat will not secure long-term strategic advantage in this new world; businesses that do not foster and develop their digital capability will find market share and profitability rapidly undermined. Driving ongoing organisational change requires transformational leaders who are willing and able to leverage digital to innovate, fail fast and drive value. The question is, are your leaders equipped to do so and to drive digital transformation? With increasing volatility, uncertainty, change and ambiguity caused by this revolution, do you ask how you can even begin to answer that question? The data is suggesting that globally, leaders are not ready.

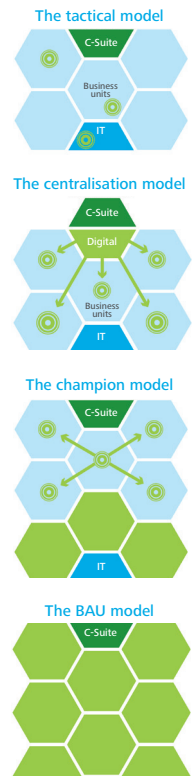
**Digital evolution; where are you?**

Deloitte’s research into digital transformation, *Building Your Digital DNA*<sup>1</sup>, has revealed four evolutionary stages that organisations progress through on their journey from ‘doing’ digital to ‘being’ digital.

But what sort of leaders do you need to drive this evolution? How do you know if you have these leaders in place? How do you judge the volume, and rate, of change the business can take? How can you be certain which digital ‘horse’ to back? How do you bring people on the journey with you? How do you protect and foster digital innovation away from prying eyes and established business models? How do you convince the digital nay-sayers that investment is not only value-additive but also strategically critical?

To address these issues, businesses and consultants around the globe are rushing to design new ‘Digital Competencies’, digital leader frameworks, digital leadership education programmes and digital talent acquisition strategies. This risks creating greater

complexity and ambiguity for leaders. Management at all levels is already facing monumental, non-digital change and disruption from a variety of other sources including demographic shifts, environmental issues, regulatory controls, reputational risks and global economic turmoil. Digital alone is no more or less transformational or threatening than any of these other forces. Therefore, what a leader needs to bring to the table to deliver this digital transformation is also what leaders need to leverage to drive change in all contexts. Being myopic about ‘digital’ risks building organisations that are pointing the wrong way to take advantage of winds of change from other directions. On top of this, there are already a myriad of voices telling leaders how to behave and think. What leaders do not need is another set of behaviours, values, competencies or models, whether they are ‘digitised’ or not, that compete with existing org frameworks, processes and systems and give them yet another way to be or behave. The leader leading in a volatile, uncertain, complex and ambiguous world is already the overwhelmed leader, let’s not make it more so.



**8 Universal Critical Capabilities - the stuff you need to be able to do**

Inspirational Leadership	Competitive Edge	Strategic Direction	Influence	Collaboration	Business Judgement	Execution	Building Talent
<b>Deployed in a digital context</b>							
Energising and building confidence in people about digital	Motivating people to innovate, experiment and ‘fail fast’ with new ideas	Setting and aligning the business behind a transformative digital vision	Driving mindset shifts amongst senior leaders to champion a digital agenda	Building strategic partnerships inside and outside of the enterprise	Rapidly building working business models that release transformation	Driving optimal performance between people and technology to deliver results	Sourcing the talent required to drive and deliver the digital strategy

**4 Universal Potential Factors - the stuff you need to have**

<p><b>Change Potential</b> Driving and responding to change; seeing opportunity in uncertainty</p>	<p><b>Intellectual Potential</b> Thinking quickly and flexibly</p>	<p><b>People Potential</b> Adapting to complex and changing interpersonal demands</p>	<p><b>Motivational Potential</b> Adapting personal drive and focus to achieve in new and changing contexts</p>
<p>Potential Factors that are becoming more critical due to the complexity and pace of the digital revolution</p>			

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At Deloitte Leadership, we ran a meta study of research into over 21,000 leaders of global and international organisations to look at how they cope with the forces of change and what the critical characteristics of digital leaders are. What we found challenges the current convention on leadership. The pervasive paradigm is fuelled by building disparate and complex leadership models, value sets, behaviours, ethoi and ‘top 10 ten lists’ for each possible scenario, which, as I have said, leads to more ambiguity, contradiction and confusion for our already overwhelmed leader. Contrary to this, our research revealed that the elements that really predict success in leaders could be distilled down to four core potential dimensions and eight critical capabilities that are the universal building blocks that underpin leadership transformational agility across all contexts, digital or not. Leaders who have this stuff and can do this stuff can adapt to and drive digital transformation whilst simultaneously dealing with broader shifts in the strategic landscape. What leaders need to be able to do is take the fundamentals and then apply them to the range of contexts they face. The same underlying capability, deployed purposefully and thoughtfully

according to understanding the contextual demands they face.

In essence, we found that wherever you are on the spectrum of digital transformation, or if you are facing tectonic demographic shifts, economic volatility... or whatever, leadership is still leadership. The fundamentals do not change. Leaders need the same components of personal factors and capability to make them and their organisations thrive in a digital world as they do in dealing with the volatility, uncertainty, change and ambiguity that is pervasive today and here to stay.

What our digitally-disruptive leaders need is a lifeline that helps them to navigate exponentially increasing volatility and uncertainty, whatever is driving it. They need help to peel back leadership to the basics and learn how to build their individual agility to deal with a range of ambiguous contexts. Meanwhile organisations need to be able to cut through the extraneous noise to be able to consistently identify leadership talent that will deliver and sustain organisational transformation.

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**To learn more about how Deloitte Leadership Programmes can enhance your organisation, please contact Andy or Paul, or visit our website.**



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1. <http://www2.deloitte.com/uk/en/pages/technology/articles/building-your-digital-dna.html>