

Leadership in Digital Age: A Study on the Role of Leader in this Era of Digital Transformation

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Abstract

This is a conceptual paper based on extensive review of various survey reports on aspects related to leadership and digital transformation. In the beginning of the paper, theoretical description about digitalization and digital transformation has been discussed and described digitalization as a change process. The study explains that the successful digital transformation depends on how leaders, use digital technology for the growth of the organization. References of different survey reports and examples of different leaders and organizations have been used to justify that this is the leader's vision, foresightedness and how they are using digital technology for organizational productivity. The different organizational dimensions transformed by leaders for inculcating digital technology in the organization have also been discussed. The Paper also discusses the biggest barrier faced by leaders while transforming digitally or assimilating digital technology in their corporate model and suggests measures to overcome this barrier. At the end of the paper conclusion drawing the importance of leader in this digital age for organizational excellence has been given. On the whole the research paper shall prove useful in showing importance of leaders' position and their decision making for organizational excellence in the digitally transformed world.

Keywords: Digital Transformation, Organizational Change, Leader, Organizational Dimensions, Skill Gap

Introduction

We are living in a digital age where digital transformation is the current topic for discussion all around and very well suited to decide the business-agenda of companies

worldwide. As Bounfour described due to expanded development of technology like launch of the first digital computer by Stibitz's or in 1990 introduction of 'World Wide Web' by Tim Berners-Lee, once again the debate over the effects of digitalization and digital transformation has developed in general business reviews and among present day business scholars. In 2010, Vogelsang described digitalization as long economic wave or the 5th Kondratiev wave that will not only change our way of being, but also production processes and possibilities. When discussing the Kondratiev waves he concluded that "after the steam, steel, electricity, and petrochemical revolutions, network-based digitalization is the driving force today on the stage of business and private life". Chew has rightly expressed that the terms digital transformation or digitalization are mostly understood as changes occurring in society caused due to technological shifts.

Collin et al in 2015 described digitalization, as "the conversion of analogue information into binary number of either 0 or 1 digital digit. A process of information conversion from the physical to the digital plane in other words. Digital transformation discusses about all those series of events and processes which individuals, business organizations, societies and nations practice globally for technology adoption, which is a result of digitalization. "Digitalization" Just like "Globalization" is a term difficult to clarify with one single definition or meaning, therefore it incorporates all the above terms.

The Swedish Commission of Digitalization and government states "digitalization means that digital communication and interaction between people, organizations and things becomes an obvious occurrence. The possibilities to collect, interpret, apply and develop larger quantities of data digitally, allows for developmental possibilities in almost every sector".

In today's, context technological transformation "digitalization and digital transformation" as a change

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factor, plays a crucial role in identifying new domains of application and implementation of digital technology in improving organizational productivity. The phenomenon consists of wide range of complex features and visualized in many perspectives and ways.

Although, digitalization transformed ways any organization operates, but it has never transformed an organization on its own. What helps an organization to achieve such a transformation or change is, its leaders' vision and decision making that links digitalization to an emerging organizational need. In the fall of 2014 MIT Sloan Management Review along with Deloitte conducted its fourth annual survey and presented a report in 2015. The survey was held on 4800 business executives, managers and analysis of organizations all over the world to know what different opportunities and challenges are associated with the use of social and digital business. The findings of this survey reports that primarily it is the leader who fosters a culture of change and leads organization to digitally reimaging its business. The report further highlights that in a digitally mature and successful organisation employees are highly assured about their leader's digital Quotient. High Digital quotient of leader not only demands mastery in technology but also inculcates the benefits of digital technologies for the future of the organization. The excellence of corporation depends on how these organizations integrate their business operations with digital technology be it social, mobile, data mining and analytics or clouds.

Organizational Change

Digital transformation is fundamentally about change which requires leadership because leadership is all about changes rather than stability. In 1995 Kotter expressed, "change, and requires creating a new system and then institutionalising the new approaches". This is the Organisational leader who plays an important role to bring and implement all these changes in the organisation. Stakeholders also expect the same from leaders to take responsibility for organisational transformation. The successful transformation of an organization in this digital era largely depends on how leaders of that organization accept and infuse work culture where digital technology is used as a tool for synthesizing information in real time rather than being solely dependent on technology.

Organizational changes are related to workforce, work processes, business strategies, organisational structures, and competitive dynamics, where maximum opportunities and challenges reside. Internet of Everything (IoE) a report by Cisco in 2013 discussed that between 2013 and 2022

around US\$19 trillion of economic value would be at stake for organizations, industries and nations. Through change leaders try to fasten innovation, productivity, efficiency in processes and customer experiences by unlocking those areas where majority of business lies.

Kodak's downfall from being the market leader to failure was the result of its leader's lack of foresight to understand the pace of change. In case of Kodak it would be wrong to say the company was not creative and innovative because in 1975 company developed world's first digital camera and during 1980s and 1990s it kept investing in digital abilities rather than what was wrong in case of Kodak. The company failed to understand consumers changing requirements because of its overconfidence on consumers brand loyalty. The company kept developing only digital technologies without making necessary changes in its existing business model to inculcate these technologies or provisions to cope up with emerging digital market and changing customer requirements. Company's people, knowledge and infrastructure became obsolete perhaps company was denying to take tough decisions timely to adapt to changing business scenarios or it can also be said that company failed to adopt sufficient organizational changes.

Fujifilm the Japanese competitor of Kodak exactly encountered similar challenging situations, but its leaders successfully planned to survive by developing adaptability towards potential technological advancement in field of Photographic domain and taking timely decisions of infusing ongoing technologies. The company not only invested in digital technologies but also made radical changes in its existing business model by downsizing workforce and underperforming assets, started focusing on new investment areas like LCD display coating, high-end imaging machines and cosmetics etc. Today, company's worth is higher than it was during the heights of 2000.

The well-known stories of Kodak/Fujifilm provide examples of digital transformation failure and success. Transformation not only means adopting changes but insufficient or inappropriate actions can increase an organisation's sensitivity towards digital disruption. In July 2016 Digital Business Global Executive Study conducted by MIT Sloan Management Review and Deloitte digital that was based on 3700 business executives and analysts from organizations of 131 countries and 27 industries. The report revealed almost 90% of all the executives and managers surveyed responded that the industries they belong to will be affected by digital trends in a 'moderate or great' extent while only 44%

thought they are well prepared for upcoming disruptions. Report also presented developing readiness for a digital future was not an easy task. It requires developing digital potential to fully align business activities, individuals, work culture and organisational structure behind an agreed set of organisational goals.

Digital business executive study and research report titled “Achieving digital maturity” presented by MIT Sloan Management Review, in collaboration with Deloitte, in the summer of 2017, discussed that leaders define digital efforts as major components of business strategy and a high proportion of digitally mature companies are intending to increase their investment in comparison to less digitally mature companies.

An article published in Forbes magazine on 17 Jan 2016, discussed that companies resistance towards readiness to change behaviour is one of the most important reason for companies’ failure at digital transformation for 84% of companies surveyed. The article also concluded one of the reasons for failure of a number of corporate initiatives and strategies are that leaders falter in taking initiatives in helping people change. In fact, a study conducted by Accenture strategy in 2016 concluded that for successful change programmes strong and consistent leadership capabilities are required at all levels of organisation while the lowest performing change programs have leadership only at the top. These and many other survey reports conclude, the leaders not only set the vision but also develop the environment for change. Leaders develop a need for change and remove all hurdles for its achievement.

Digital Transformation and Leadership

Changes in organisation are initiated by top management, and for this it is necessary for them to be convinced of the need and positive aspects of change both for themselves and for their organisation. This perspective of change proves it to be leader’s vision only which can bring organisational success and growth as a result of adoption of any kind of transformation. So leaders in organisations take up ideas of digital transformation simply to get rid of old habits and paradigms, and to cope up with competition with the goal of leading a digital company. Digital transformation is not possible without a leader who creates the platform for it and drives stakeholders towards action. It is the leader who gives a thoughtful application of technology to drive a sustainable business success.

BT-KPMG best bank study of 2014 ranked IndusInd bank as best mid-sized bank. The credit for its success goes

to Ramesh Sobti former head of ABN AMRO, appointed as MD and CEO in February 2008. While joining, Sobti accompanied his top management team of ABN AMRO as well. “His actions at the IndusInd bank have answered the question-use technology to create differentiated banking products. ‘I call it responsive innovation’, he says”. The bank offered ‘cash on mobile,’ an option of money withdrawal without a debit card, by simply keying a pin number received over their mobiles, an early point redemption scheme for credit card users, denomination of notes while withdrawing money at an ATM and video banking by which a customer could view bank officials while speaking to them. With the efforts of Sobti bank now has five million customers, getting 50,000 to 55,000 new ones every month against 4,000 to 5,000 five years ago. “But it is not about getting ideas,” he adds. “It is also about translating ideas into reality, which has to be an orchestrated effort.”

Sobti is also eyeing new business opportunities. At the customer level, he believes the mobile will grow in importance, ultimately replacing credit and debit cards and point of sale machines. Globally the mobile phone is widely used as a payment instrument. The UK, for instance, has a service where a person’s mobile number-linked through a database to his/her account-is enough to make payment into the account. “It will happen here too”, he says. Analysts agree the future is bright for banks like IndusInd.

Airbnb founded in 2008 is one company of its types, which revolutionizes the functioning of hospitality industry and experienced phenomenal growth. The company has no personal property, perhaps operates in 192 countries and now has rooms more than either InterContinental Hotels or Hilton Worldwide.

Airbnb founders Joe Gebbia, Brian Chesky, and Nathan Blecharczyk realized with the use of platform technology it is viable to create a business model that would challenge the conventional practices of the hotel business. Like traditional hotels, Airbnb needs no large investments because it does not possess or manage property but it allows users to rent any liveable space at reasonable prices (from a sofa to a mansion) through an online platform to match individuals looking for accommodations with home owners who are willing to share a room or a house and for managing the platform the company takes a percentage of the rent.

The Airbnb’s model is not only successful in offering a more personal and cheaper service to consumers but also able to minimise business risk as home owners are

responsible for taking care of property and services they offer, so the risk of Airbnb is reduced in comparison to traditional hotels.

In both cases, it is clear that it is only leader's foresightedness helping the company for digital transformation and how technology can be used to facilitate organisation. The existence of leader is consistent "must have" across all companies. Along with technology Leaders operate across different organisational dimensions (fig: 1) i.e. business model, structure, people, processes, technological adoption, offerings and engagement model to create an organisation which is able to successfully transform. These dimensions are important elements of an organization's value chain, without which digital transformation cannot be possible.

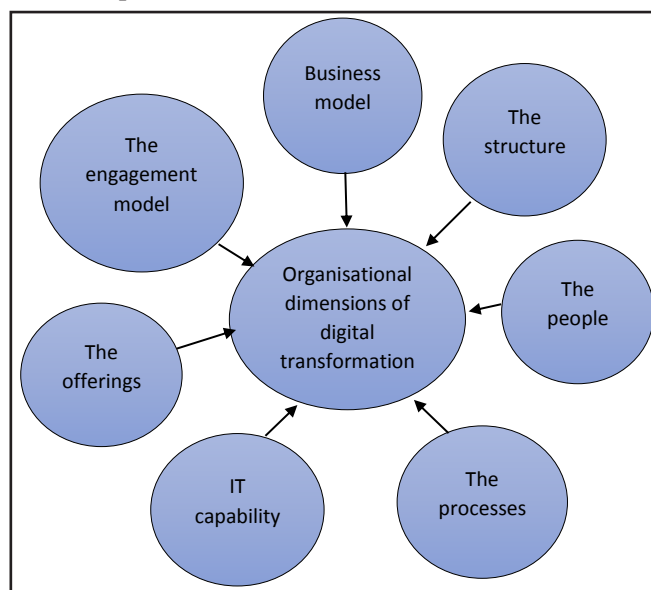


Fig. 1: Organisational Dimensions of Digital Transformation

Thus, leader in an organization develops readiness of digital transformation from the existing state to desired future state. The gap that exists between present and future conditions highlights the amount of transformation needed. Burberry Group a British luxury fashion house, transformed digitally between 2006 and 2015. After several years of fallen revenues and multiple challenges the company decided to appoint Angela Ahrendts as new CEO of the company with a vision of transforming company digitally.

She started by making many changes for digitalisation to improve the state of its brand. For example, changes made in existing business model, by shifting the revenue focus to Asia and other emerging markets, appointment

of younger employees, decision to concentrate on millennial in place of the traditional consumers, and a move into social media for making a constant touch with its customers

Business model transformation by Airbnb and Burberry state for business it is difficult to achieve benefits of digital transformation by only making change in one direction or by adopting technology only. As there are thousands of potential combination strategies available so focus by leaders and a high degree of collaboration at the level of different organisational strategies is required for digital transformation initiatives.

Skill Mapping and Technology - Insights from Industry

In this age where business is focused towards technology, leaders need to have a different outlook towards all moving parts of business, particularly on its people and on their skills as out of all the organizational dimensions of digital transformation discussed above it is the people only who decide the fate of the rest. Accenture Strategy took interview of 925 business leaders in countries like India, Japan, Australia, Brazil, China, the European Union and the United States to understand how business leaders and policy makers can take advantage of digital technologies to accelerate business growth and competitiveness. 43% of business leaders interviewed said that lack of digital skills is a critical factor to transform and only 51 percent of surveyed said that they are already prepared for talent management in a digital world.

This is people only in an organization who resist every change initially as defined by Kurt Lewin in force field theory of organizational change and organization has to help people to overcome this resistance of change. As digital transformation itself is a kind of change so same kind of resistance occurs in this case too. It is also clear that technology alone is nothing to drive organization towards its intended objectives. This is leader who creates such culture and environment where people get empowered by technology to adapt and drive changes.

Accenture Technology conducted a global survey from October to December 2015 of more than 3100 IT and business executives across eleven countries to know and understand their point of view about the technological impact on their organization and to identify their priority investment in the direction of technology in the next five years. The survey reports that "Companies are investing in the tools and technologies they need to keep pace

with constant change in the digital era. But to achieve their ambitious goals, leaders are refocusing on an often overlooked factor: the workforce. They look at technology as an enabler to transform their people, projects, and entire organizations into a highly adaptable and change-ready enterprise and not just a disrupter. In short, business leaders are realizing their new digital workforce can become their new competitive advantage.

For the digital transformation business need to rapidly assemble the right skills by making training as a consistent activity followed by skill gap analysis, a new engagement strategy should be created keeping in mind the expectations of the workforce with their organization. A formalized approach to engage freelancers and contractors with the organization should be developed and workforce should be promoted to take initiatives advancing their vision. A team of data scientists and HR professionals should be used in the area of people management strategy like hiring, promotions or other areas needing improvement. If organizations through leaders focus on these areas of workforce management then the path of digital transformation will become friendlier and result organizational growth.

Conclusion

Digital business transformation is all about change and leader acts as a pioneer to implement these changes in organization and develops organization's readiness for these changes by suggesting and making required adjustment in existing business model. In the era of digital transformation leaders unlock digital effect by developing not only a new digital platform but also the platform based business models, strategies and fill the workforce skill gap. This is the leader's vision and foresightedness only that transform an organization digitally.

Leaders across the business must be clear and stay abreast of digital trends, the implications of these trends on business and how to leverage the new technologies. But that doesn't mean they have to know how technology works but rather why it is important and how to use it. Through digitalization leaders discover new market segment, grow faster and increase profit margins over their competitors.

Leader is a role figure who ensures digital maturity of an organization with a digital vision and strategy and then moves into management by putting in place people, processes, technology offerings, engagement model, structure and the business model to realize that vision. At the same time companies must realize the biggest challenge

to digital transformation comes from resource constraints, lack of requisite talent and urgency of other priorities. Companies have to invest in both formal and informal learning to meet the challenge of workforce skill gap.

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