



Digital revolution: Leadership and strategic challenges on organisational transformation: A critical perspective

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Abstract

Corporate history is peppered with the riveting account of disruptive and transformative power of digital revolution. It is prominently highlighted by the 'topple rate' of many mighty corporations and emergence of new generation global companies in corporate landscape.

A cursory glance at rising rate of innovations brings into mind the mortality rate of traditional products and services irrespective of market dominance position. Economic reality reflects that no business or industry sector is having any immunity from the threat of new entrants or existing businesses moving into new areas of products and services. Therefore, embracing technology and configuring tomorrow's organization with digital capabilities is one of the most critical challenges occupying the strategic agenda of top-tier leaders of any forward-looking enterprise. In view of this backdrop, this article focuses on challenges and imperativeness of digital age leaders to take the mantle, lead effectively by building the culture and digital capabilities of the organization for transformation of the organization. Accordingly, author provides an analytical perspective on leadership challenges in digital economy, and recommended actions require to respond to the acceleration of changes for creating superior and sustainable organisation value.

Keywords: digital revolution, transformative power, topple rate, leadership, acceleration of changes etc.

1. Introduction and Conceptual Framework

With the pace of change in the business world accelerating around us, it needs no special mind or faculty of thinking to understand the impact of digitalisation. A glance at the increasing rate of innovations firms up the understanding on this. Building right cultures in the organization is the most critical factor in realizing strategies of the organization.

Strategic challenges in any organization are coming from the proliferation of digital channels and smart devices which helps consumers to have greater access to information, and, most importantly, the means for communication and collaboration. The digital world is replacing the physical rather brick and mortar world at a faster clip. Thus, fundamentally changing the way customers engage with businesses and industries.

Building digital capabilities of the organization is critical to organisational think tanks because of the stake it holds to stay relevant and competitive. A revealing study done by McKinsey suggest the topple rate at which the global corporations losing their leadership positions from 1965 till 2012 is almost 40 % as digital technology ramped up competition and created disruption which in turn forced organization to redraw strategy, transform cultures and build new set of capabilities.

Therefore the critical question is whether digital revolution should be viewed as a catastrophe or new growth

opportunity!— Leaders with optimistic mindset will believe in later and will configure the organization to attain high levels of innovation, competence, effectiveness, leadership and responsibility – with fundamentally positive results for both organization and society.

Unprecedented changes in business world owing to disruption and technological revolution gives birth to new realities of business frontier as the most popular social media creates no content (Facebook), the fastest growing banks have no actual money (Society One), the world's largest taxi company owns no taxis (Uber), and the largest accommodation provider owns no real estate (Airbnb). These new generation companies are regarded and valued as a game changer. Their success demonstrates the pace with which digital revolution is changing rather transforming every landscape from politics, businesses, economies, society to daily life.

Digital revolution has dismantled the old organisation structure and management style of silo based approach and created broader set of new challenges where collaboration has replaced silo based approaches in management and leadership style. Digital economy as it is commonly referred, has brought quite a few fundamental changes in organisational system and structures. The structural changes arising out of the following factors:

1. Rapid pace of technological growth

2. Globalisation
3. Information explosion in internet age
4. Fast emergence of knowledge economy
5. Flat and agile organisational structure

The preceding paras highlight how digital revolution has brought disruptive innovation. Although there are many literatures available on disruptive innovation, but most experts and researchers refer to Clayton M. Christensen’s “Innovator’s Dilemma” (1997) [2] which first introduced Disruption theory and the term “disruptive technology” that “covers innovation not only in technology, but also in product, process and service. In subsequent studies, the term disruptive technology has been replaced by disruptive innovation” (cited in Yu and Hang 2010 [3], p.402). Furthermore, finer categorization has been proposed, i.e., disruptive innovation includes both technological and business model types (Markides, 2006) [4].

According to Christensen “a disruptive innovation is an innovation that transforms the complicated, expensive services and products into things that are so simple and affordable that you and I can use them.” (cited in Robles 2015, p. 123).

Paul Paetz highlighted in his book *Disruption by Design (2014)* [1] about multidimensionality of disruption brought by digital revolution. It creates new dimensions of value in product and services as the old product category or business model is unable to address by satisfying unmet or underserved needs. These dimensions reflect different set of features and benefits which consumers prefer like simplicity, convenience, accessibility, affordability or significantly lower price, user friendliness etc., and also occasionally include breakthrough innovations that have redesigned and redefined the product and service category.

According to Paul Paetz (2014) [1] disruptive products

generally appeal to new or less demanding users when introduced as they compete against non-consumption category, but get better over period or with the time till they develop their ability to satisfy mainstream customers, and usually at an affordable or lower price than the old rather available better alternatives.

2. Analysis of the impact of the Digital revolution on leadership

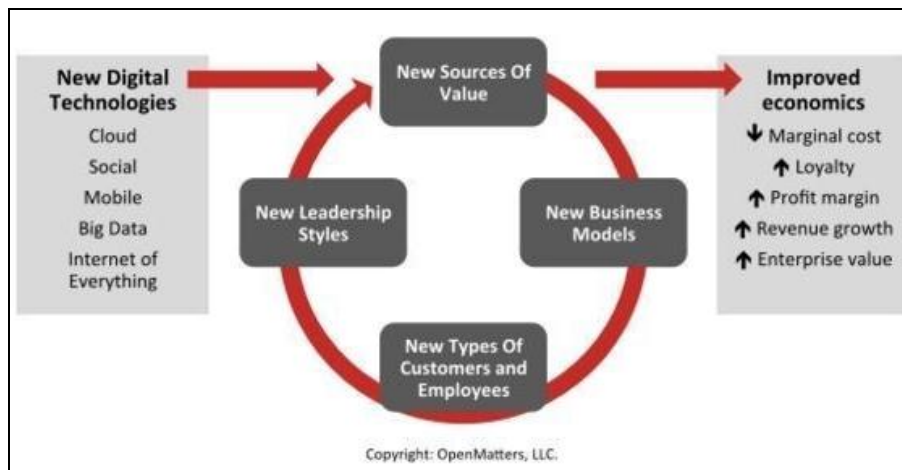
Digital revolution has brought about bigger challenges to organisational leaders to keep the old good values and traditional skills and make them co-exist with new factors.

Analysis of digital age leadership demands clarity on the meaning rather definition of digital leadership. It can be defined as leader’s commitment and contribution to the transition toward a knowledge society and their knowledge of technology. Digital leaders have an uncompromising obligation to understand technology and to maintain momentum with ongoing global development.

Their role is not just of an enabler but a force to reckon with in making the technology work for creating and maintaining superior competitive value.

Enterprise leaders must be propelled by an attitude of openness and collaboration with a tremendous appetite for knowledge. Of course, the demand is not to be a technical specialist but need to be technologically literate enough to understand the impact of breakthrough technologies in terms of creating superior sustainable organisational value.

Digital age leaders need to have the good ability to identify technological trends like big data, cloud computing, artificial intelligence, robotics etc., across different industry sectors, and they must possess adequate knowledge and the vision to use these resources most effectively to generate bigger value.



Source: <http://knowledge.wharton.upenn.edu/article>; August 2014

Fig 1

With the debacle of traditional hierarchical models of organization in knowledge economy, leaders should place high emphasis on acquiring and managing knowledge and created a collaborative spirit in the organization for dissemination of knowledge for new value formation. Therefore, authoritarian leadership style got replaced by collaborative leadership style for making well networked

organization. Changes are visible even in governmental organizations in recent years. Governments are increasingly moving into public consultation mode and dissemination of public data. Therefore, it got positive impact on government leadership style, practices and governance.

These transformation will continue to grow further resulting into the replacement of hierarchical model or vertical

organizational structure with flat horizontal structures. Hierarchical model is slow and highly bureaucratic and therefore fails in the digital age. Digital economy is characterized by constant and rapid changes which needs immediate organizational responses to stay relevant and competitive.

In new economy, Information gathering and data analytics, decision making capabilities empower any forward looking organization to deepen and enlarge business networks and connections.

Now, the pertinent question is why leaders should turn their attention to technology acquisition and deployment in organisation for sustenance and growth in digital economy despite having so many threats!!

Leaders need to shift their focus from the threat of new technologies to the manifold opportunities they bring. The digital revolution is not only technological but indeed cultural. Therefore, it is imperative for top level leaders in the organization to drive the required organizational changes.

Digital advantage comes in the shape of customizing products and services, and bring changes in strategy and structure. It is critical for the organization to design blueprint of digital road map and involve all stakeholders.

It is vital for organizational leaders to view digitalisation as an opportunity generators rather than a threat to existence. Digitalisation brings high level of threat factors as well, as we have seen in recent incidents of hacking. But, advantages outweigh the risks. It is better said by Hugh Fienness, CEO of Electric Imp, "The reality seems to be that when it comes to the internet-connected device there is no such thing as absolute security. Your device can start by being secure today and then not be secure tomorrow."

Having understood the fact that digital technology will increasingly play a decisive role in shaping our future, organizational leaders cannot take a chance to show fear or reluctance in implementing it. Instead, they should embrace technology with a clear view of its value generating potential. It is the technology which will create most value generating companies as we have seen in Apple, Google, Uber etc., all these corporations handled challenges very well in the following key areas:

i) Creating Technological Literacy

One of the major challenges for organizational leaders is to create awareness about technology or technology literacy in the organization. It is not critical for leaders to possess all digital skills but a level of technological literacy is required to understand the requirements of business. Various research highlights the worrying factor of lack of technological awareness among senior leaders in the organization.

Therefore it is critical to improve the level of technological literacy so as to bring them to the realities of modern technology and its value generating capabilities.

ii) Digital Skills Gap

As per the research conducted by Accenture Strategy highlights that around three quarters of leaders expect their company to "go digital" within the next three years, but only one leader in five say their business is already digital. Therefore, it is necessary for the majority of leaders to bring

and oversee some kind of transformational program in the organization.

Research suggests that key challenge is ensuring workforce with the appropriate skills to manage this transformation. According to a study by Capgemini Consulting and MIT, 77 percent of all transformation programs fail due to a digital skills gap, which prevents the required changes from occurring.

According to Deborah Brecher, Managing Director of Accenture Strategy "The lack of digital skills is the one of greatest challenges [leaders] face. Only half say they actually have a strategy in place to manage and develop the skills and talent they need in this digital reality."

iii) Leadership Characteristics

There has been a change rather shift in perception and thinking regarding what constitutes a good leader based on digital revolution impact upon leadership. In the past, traditional leadership qualities included things like vision, conviction and a competitive drive, but views are now changing. One of the major findings in the leadership survey is technological literacy and leaders' ability to manage and analyze data in data driven world. Organization's analytical capability is one of the pre-requisite to competitiveness.

iv) Anticipate Saturation

Leaders need to create organisational ability to anticipate saturation by understanding the trend or phase of when consumers adopt and then abandon for new products and services all at once, it's essential not to be caught with excess capacity or inventory which eventually will have a killing effect on financial health of the organisation.

Rapid progress in digital technologies has brought disruption in everything even in leadership styles. This is well highlighted in the article authored by Barry Libert, Jerry Wind and Megan Beck Fenley (2014) [6]. Employees do not like command and control approach any more. They want more ownership in the process, organization rather than to just follow instruction; customers desire to participate in the marketing and product development process; and leaders are realizing that open and agile organizations are able to maneuver more effectively than organizations where "all insight and direction comes from the top. In short, the autocratic Commander, whether brilliant or misguided, just won't cut it anymore," as they write.

Considering transformative impact of digital revolution, leaders face the utmost challenge to leverage the digitalisation wave to create higher level of customer engagement by giving them superior customer experiences and improve workforce productivity. This will help generate better financial performance.

3. Conclusion and Recommendation

Acceleration in digital revolution with breakthrough technologies has disrupted almost everything, including leadership style, organizational strategy in any business or industry areas. The biggest realization drawn out of this article and various researches is to change the cultural fabric of the organization to be more technology driven as old rather traditional ways of running an organization won't cut in a

digital world. Digital revolution has brought high level of innovations and disruptions which got earth-shaking cumulative impact on business models and on enterprises. In this App driven world, organization leadership got the huge challenges manifesting in designing of technology savvy organization structure, systems, cultures and to invest in latest technology to be more flexible, agile and customer centric which makes organization relevant and give a new lease of life with growth and sustainability.

Corporate leaders need to understand the strategic implications of going digital and perils of ignorance towards the need of digitalizing organizations.

Leaders need to focus on following recommended areas rather actions spanning from business environment, impact on organizational architecture and strategy.

1. Need to come out of analogue-era framework and should have thorough understanding of the external environment.
2. Need to recalibrate the vision, mission of the organization as environmental shift owing to digital revolution has challenged the very existence of organizations, its' business models, structures, systems and processes.
3. Need to build organizational capabilities across the organization capitalizing on collective experience, wisdom and abilities of workforce and by practicing highly collaborative culture. It is highly imperative for business leaders to come out of silo based approaches.
4. Need to build organization system of continuous strategy formulation as strategy formulation and execution should happen simultaneously and in a seamless feedback loop. This is imperative because of rapid shift in business and industry dynamics owing to rapid pace of digitalization and innovations, disruptions of business models.
5. Need to build capability of managing big data by using various analytical and predictive tools for data driven decision making otherwise old fashioned MIS based decision making may be a stab in the dark and counter productive.
6. Need to leverage organisation's networks by engaging with your customers, employees, partners, suppliers, employees, and investors with a relentless focus on co-creating value with them.

The bottom line is to reconfigure the strategic agenda of the organisation, and take the responsibility and ownership of digitalisation in the organisation and focus on creating the multiplier effect in organization. Leaders need to design a robust digital engagement strategies and comprehensive operating models that address the need of suppliers and employees just as much as it caters to customers with a clear objective to enhance or transform the existing models, or to develop a new model for sustenance and competitiveness.

4. Future Research

This research area offers a huge canvass to do further exploration and research. Therefore, further research can be done on impact of digitalization on organizational results from a 360 degree perspective by using balanced score card approach. A qualitative and quantitative study on organizations and industry sectors will help academicians and business practitioners to understand the strategic and operational implications of digitalization.

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