The role leaders play in achieving digital sustainability
Introduction

With the world now facing a business paradigm of a magnitude perhaps never seen before, there is an urgent need for organizations to dismantle outworn structures and transform into flexible networks designed to act with agility and speed.

This is about much more than simply refocusing the business model; this requires culture change on a grand scale. Today’s organizations are predominantly built around fit-for-purpose structures, designed to execute efficiently and deliver predictable results. But in a volatile and ambiguous environment, these strengths can become weaknesses. Fit-for-purpose is no longer good enough. Organizations and leaders need to become fit-for-future instead.

At Korn Ferry, we describe this transformation as a journey towards digital sustainability. To become fully digitally sustainable, an organization needs to dismantle their complex, matrixed structures and embed the ability to continuously adapt and change within their DNA.

While most CEOs recognize the need for this journey, they overwhelming focus their efforts on technology and tangible assets, while drastically underestimating the value of their people (Crandall et al, 2016). In so doing, they misunderstand the nature of the challenge. As research highlighted by the Harvard Business Review shows, the greatest issues companies face don’t come from a lack of superior technology but from top-down structures, an inability to experiment, limited change management capabilities, legacy systems, a risk-averse culture, and an inability to work across silos (HBR, 2016).

It is clear that, in order to create and sustain change on this scale, organizations need a new profile of leader—a leader for the digital age. On the following pages, we look in more depth at the central role leaders play in the digital sustainability journey, and examine the traits, competencies and drivers needed for success.
What is digital sustainability?

Digital sustainability is an organization’s ability to continuously adapt and thrive in the digital economy.

Korn Ferry developed the Digital Sustainability Index (DSI) to support leaders as they navigate the journey towards building a fit-for-future business.

The DSI ranks 362 organizations across five industries and 14 countries according to the five dimensions of digital sustainability, which are critical to achieving significant and ongoing digital change. The five dimensions are: discipline and focus; agility; connectivity; openness and transparency; and empowerment and alignment.

Each industry and country is ranked based on its DSI score out of 100—reflecting its overall digital sustainability and performance in each dimension.

Through our DSI research, we have been able to quantify the compelling commercial advantages of becoming a highly flexible, digitally sustainable company: the index proves that high performers in the dimensions of sustainable transformation see a 5.6 percentage point increase in profit margin (earnings before interest, tax, depreciation, and amortization—EBITDA\(^1\)) versus the low performers.

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\(^1\)This figure is calculated controlling for industry, inflation, and differences in GDP growth rate.
The digital leadership imperative

While the need for change is digitally driven, it can only be achieved through people. The role of leaders is therefore pivotal. To become digitally sustainable, businesses need leaders who embody the agile mindset needed to lead and sustain seismic cultural change and who can engage their people in the journey.

These leaders are comfortable in ambiguity, as both the internal and external business conditions rapidly mutate. They engage and persuade their people in the change vision and cultivate new ways of thinking and working to support the process. And they do this again and again by deploying strong situational and emotional awareness to anticipate and address business and interpersonal challenges, powered by agile thinking.

It’s tempting to think that this leadership profile can only be found fully formed among today’s leading digital businesses. But Korn Ferry research suggests that leaders of such firms—‘born digital’ leaders—can be too narrowly specialized (Vickers, 2016). Businesses need to consider cultivating this mindset within their own people. It’s the same mindset displayed by great leaders of innovation, agile leaders and leaders who leverage diversity through inclusion. But while businesses once saw these leaders as a “nice to have”, the digital imperative has established the business case for investing in developing this type of leader.

People are the key to unlocking the financial benefits of becoming a digitally sustainable organization; the DSI dimensions describe the essential organizational conditions but great digital leaders must operationalize them for success.
Rethinking effective leadership

Developing great digital leaders requires a rebalancing of expectations. It means embracing a more nimble and curious leader and letting go of the “heroic operator”.

In fact, our research shows that the strengths traditionally associated with excellence can now actively derail digital sustainability initiatives. For example, leadership styles that emphasized precision of execution through hierarchical decision-making now pull against the flexibility and inclusiveness leaders need to empower the digital-age workforce.

Drawing on the Korn Ferry Four Dimensions of Leadership, we analyzed the traits, competencies and drivers of more than 500 digital leaders, and compared them against population norms from our 4.5 million data point assessment database. The results of our analysis, which are outlined below, provide a distinctive profile of the qualities needed for the digital age.

Traits guide an individual’s behavior, but can at times be difficult to observe, whereas competencies are observable skills and behaviors required for success at work. Drivers are the deep internal values, motivations, and aspirations that influence a person’s choices. Developmental work often focuses on competencies, which are the easiest place to move the needle, but organizations and individuals should also consider whether certain traits are going un-expressed.

What do great digital leaders look like?

How do the traits, competencies and drivers we have identified through our DSI research translate into the real world? To help build a clearer picture of what’s required, we have mapped out four broad themes that define effective digital leadership.

Pioneer mentality

Great digital leaders score high for adaptability. They have a curiosity and willingness to take risks that is regulated by their capacity to continue to deliver results. They manage these competing priorities with great mental dexterity which allows them to assess and make choices in short cycles and continue with confidence when those decisions need to change. This is what we call the ‘pioneer mentality’.

High Emotional Intelligence

The ability to engage and inspire employees, and cultivate innovation in others, is essential for effective digital leadership. It is also imperative that digital leaders can build business-wide support for the digital culture-change agenda, and develop 360° connections within and outside the organization.

Emphasis on ambiguity

Challenges will never again be “solved” in the traditional sense as conditions keep shifting. Instead, great digital leaders constantly adjust and create trade-offs, oscillating quickly between long- and short-term thinking. Managing ambiguity is key. They must be able to embrace fluid thinking and willing to live in the grey areas as organizations straddle the traditional-digital divide.

How many great digital leaders do you need?

Can these traits, competencies and drivers be found all in one person? Do they need to be?

Our profile of a great digital leader aggregates data, so in some ways it does present a picture of the “unicorn” leader. Even if you can find that one-in-a-million individual, one isn’t nearly enough. Instead, organizations will need to activate a new generation of leaders that complement each other’s strengths and weaknesses. In other words, the answer is not to be found in individuals alone. This is about achieving the right balance in the team or organization and using flexible project teams where necessary.

When building teams, there are therefore two crucial questions that business leaders need to ask themselves:

1. How can we ensure all the qualities necessary for effective digital leadership are represented?
2. How can we develop and recruit for the right mindset to support the cultural change required?

<table>
<thead>
<tr>
<th>Traits Competencies Drivers</th>
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<tbody>
<tr>
<td>Curiosity Tackle problems in a novel way, see patterns in complex information and pursue deep understanding.</td>
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<tr>
<td>Competencies Cultivate innovation Create new and better ways for global organization to be successful.</td>
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<td>Drivers Independence Prefer an entrepreneurial approach and limit organizational constrains.</td>
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<td>Risk taking Are willing to take a stand, or take changes based on limited information.</td>
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<td>Manage ambiguity Operate effectively even when things are not certain or the way forward is not clear.</td>
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<tr>
<td>Structure Prefer asymmetric, unstructured work environments.</td>
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<tr>
<td>Adaptability Are comfortable with unanticipated changes of direction or approach.</td>
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<td>Strategic vision See ahead to future possibilities and translate them into breakthrough strategies.</td>
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<td>Challenge Are motivated by achievement in the face of tough obstacles.</td>
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<tr>
<td>Tolerance of ambiguity Are comfortable with uncertain, vague or contradictory information that prevents a clear understanding or direction.</td>
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<tr>
<td>Engage and inspire Create a climate in which people are motivated to do their best to help the organization achieve its objectives.</td>
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<tr>
<td>Love challenge, hate structure</td>
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<tr>
<td>Confidence Believe that they can influence positive outcomes.</td>
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<tr>
<td>Drive results Consistently achieve results, even under tough circumstances.</td>
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<tr>
<td>Trust and collaborate</td>
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<tr>
<td>Throughout the organization</td>
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<tr>
<td>Engage and inspire</td>
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<tr>
<td>Define and deliver objectives.</td>
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The route to digital leadership

What can you do to encourage and develop effective digital leadership and create an environment where great digital leaders will thrive? We have identified three key steps organizations can take:

1. Define the change required and make it real.
   Digital sustainability initiatives are doomed to fail, unless supported by digitally dexterous leaders who understand and believe in the change required. Elevate the change to the level of an organizational and leadership agenda with C-suite accountability, rather than making it the domain of particular specialists in the business. There’s no one-size-fits-all solution, so make the change relevant and real by identifying the key organizational and leadership gaps and defining the outcomes of closing those gaps.

2. Build a supportive ecosystem.
   Create and nurture a community around the organization to support leaders to change. Help leaders develop by building self-awareness and exposing them to new experiences. Reach out to trusted advisers to enable leaders to amplify their connectivity and create the open relationships critical to individual and organizational success.

3. Embrace discomfort to unlock the mindset.
   Recognize that a shift in mindset can’t be trained, it has to be experienced. Tap the external ecosystem to expose leaders to intensive and immersive experiences that target key leadership gaps. This may mean looking for ways to dispense with hierarchy for creating opportunities to take risks, experiment and test ideas in iterative cycles.
Conclusion

Digital sustainability isn’t a destination; it’s a new state of being. Leaders are the secret to inspiring the cultural change required, but they must first transform themselves.

This means challenging existing mindsets and letting go of traditional structures and levers of power. To fully unleash the benefits of digital sustainability, leaders need to become comfortable with iterative decision-making, capable of flexing to the situation, and confident about taking risks.

The journey to leadership in the digital age can feel challenging and uncomfortable. But this feeling means organizations and leaders are on the right path – toward a way of working that is quite different from what would have got them where they are today.
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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help companies design their organization – the structure, the roles and responsibilities, as well as how they compensate, develop and motivate their people. As importantly, we help organizations select and hire the talent they need to execute their strategy. Our approximately 7,000 colleagues serve clients in more than 50 countries.

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success. Visit kornferryinstitute.com for more information.