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Centre for Management Practice

11-2019

Leadership capabilities: Transforming your organisation for the digital age

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Citation

LANGE, Katharina; JOSEPH, Floey; and KARNER, Markus Bjorn. Leadership capabilities: Transforming your organisation for the digital age. (2019). *Asian Management Insights (Singapore Management University)*. 6, (2), 34-39.

Available at: <https://ink.library.smu.edu.sg/ami/118>

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LEADERSHIP CAPABILITIES



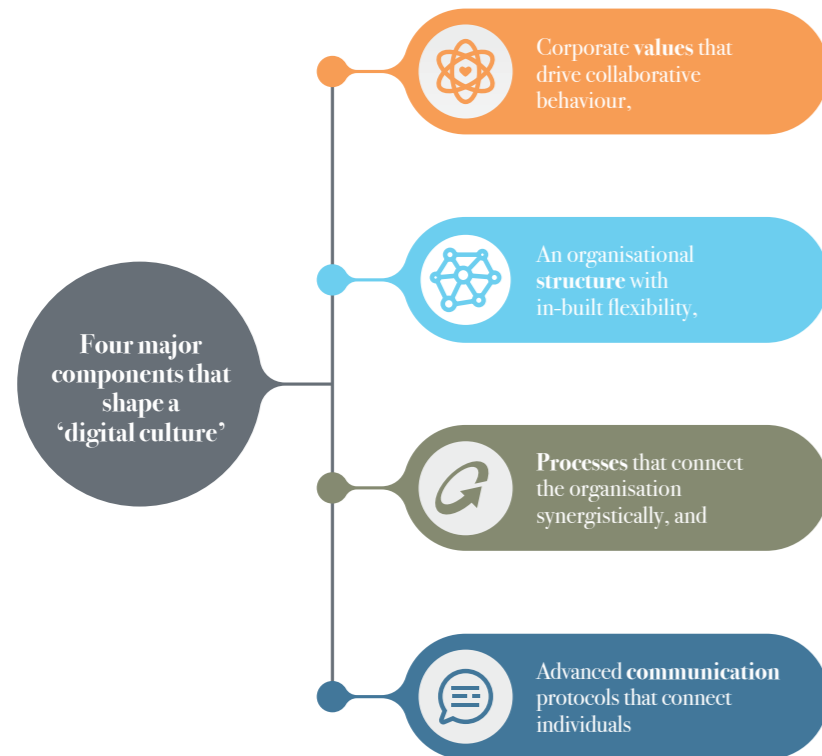
Transforming your organisation
for the digital age.

*By Katharina Lange, Flocy Joseph and
Markus Karner*

Transforming an organisation is never an easy task, especially when you are under massive or perceived time pressure to catch up with the competition. There always seems to be a faster, better, bolder, brighter business model emerging in the digital age. There are also asset-light and hyper-agile new businesses that attack incumbents and fight for market space and customer attention. While incumbents fear the ‘Kodak moment’ when their industry or business gets changed overnight because they could not see or act in time to respond to shifts in fundamental industry dynamics, they are eager to adopt innovative business models and digital offerings.¹ Obviously, this requires the right mindset and the right talent.

How can established companies transform their existing selves so that they not only survive but also thrive in the digital age? Established businesses have a lot of advantages that start-ups don’t—brand loyalty, financial strength, disciplined and standardised business processes, and manufacturing expertise—but how can they create an ‘agile’ culture that embraces digital and use this transformation to stay ahead?

In 2018, we interviewed 40 C-suite leaders in Asia in conjunction with a survey of over 400 senior managers in the region, about how they perceived and shaped the cultural transformation in the ‘digital age’ in their organisations. An overwhelming majority (87 percent) of C-suite leaders surveyed agreed that culture creates greater barriers to digital transformation than the technology itself. An even greater majority (92 percent) believed that human intervention would continue to be important.² Interestingly, the managerial level just below the C-suite felt their organisation was better prepared and more ready for change than the C-suite itself.



Values that drive behaviour for the digital age

We found great consensus that modern organisations must continuously learn and develop a strong learning culture to thrive in the Digital Age. For the individual, learning agility is understood as making connections across seemingly unrelated experiences, seeking feedback non-defensively, reflecting systematically, and unlearning things when different solutions are required.³

Successful learners have four qualities in common: aspiration, self-awareness, curiosity, and vulnerability.⁴ These learners will not get defensive when receiving feedback. They are willing to take risks, such as making a mistake or appearing nonexpert in public. Having an inquisitive mind keeps them ahead of the knowledge curve.⁵ This inculcates “a culture of agility and learning, rather than protecting, and striving to create best results,” says Peter Slagt, Partner at Bain & Company, Singapore.

At the same time, the necessity to speed up transformation to embrace digital was very prominent in the survey. Digitalisation brings speed and the firm needs to be faster at implementing its ideas and bringing them to market. The customer experience is also about instant fulfilment. This requires the leadership to be equipped with the ability to make rapid decisions. Commented Lee Yang Hong, Managing Director and Head of Group Human Resources at DBS Bank, “One of the most important things we had to do was to focus on changing the culture to a start-up culture by being agile.”

The results echo Dutch business executive and business theorist Arie de Geus’ statement that the ability to learn faster than the competitor may be the only sustainable competitive advantage in the future.⁶ However, psychologists say that

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it is pain or the sense of urgency that motivates us to change and learn, but how can leaders keep up this continuous sense of pain and urgency without burning out the workforce? Says Peta Latimer, CEO of Mercer, Singapore, “Change is critically important for survival, but if you don’t get a chance to ‘refreeze’, you may never know what worked or not.” Mobile learning platforms make useful content more accessible on the fly, and there is an abundance of information available everywhere, anytime. The question remains how to process the immense amount of information and turn it into useful knowledge. Profound learning can only be accelerated so much as it benefits from reflection, and reflection requires a moment of calm, cognitive quiet, and silent introspection.⁷

To develop the mindset of an agile learner, recognising and changing routines is a very good start. Proactively seeking feedback for ideas or behaviours helps to calibrate one’s position. And systematically reflecting on feedback and experiences deepens the learning curve.⁸ A network of learning partners can help to build the many components of a learning culture—from structured training to gentle, daily reminders. To create a learning culture in the organisation, this behaviour must be role-modelled by the senior management team.

At the same time, incumbents want to cultivate the entrepreneurial spirit



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associated with a start-up culture to drive innovation. Many organisations encourage small-scale experiments and prefer them to enterprise-wide approaches. A proven concept is to rapidly construct a hypothesis, build prototypes, test them, gather and analyse data, and refine. This data-driven decision-making culture has to be modelled at the top of the house to be successful. Atul Khosla, Senior Vice President and Global Head of Talent, Mondelez International, explains, “It is important to make the process digestible. Rather than a big digital shift, make it more as an enabler.”

The question that follows then is, “How can we learn faster or more efficiently?” Or rather, “How can humans work together with machines in new ways?” Artificial Intelligence (AI) can amplify diversity and it is a great option to include AI in the thinking

process and learn *with* machines, not against them. ‘Multiplicity’, a term coined by Ken Goldberg, describes how machines and humans collaborate to innovate and solve problems.⁹ “AI has the potential to enhance collective intelligence and intellectual diversity, allowing human workers to do more diverse thinking, become more efficient, and undertake more creative, fulfilling labour.”¹⁰

A fluid and flat organisational structure

The ‘hardwired’ structure of an organisation is critical for its digital readiness. While clear roles and responsibilities are required, having built-in flexibility is key. Teams form and disband quickly and continuously. New structures emerge and vanish out of and into ambiguity in response to customer and market trends. Roles

become location-agnostic and hierarchies become less steep; they move ‘from pyramid to pancake’. Fluid and flat becomes the new normal.

In a fluid organisational structure, the traditional hierarchical relationships will become less important, and the formal structure needs to reflect the distribution of accountability. At the same time, decentralised empowerment and localised responsibility require clear, central governance guidance as a counterbalance. “This is where the digital transformation and the culture challenge collide,” says John Davison, CEO of Zuellig Pharma. Behavioural challenges and cultural barriers do not disappear during digital transformation; they need to be addressed and managed. A long list of customisations or cultural idiosyncrasies mean that the standard model just cannot build in all of that complexity. A neutral referee

and a courageous decision-maker is required to establish and enforce norms, rules and standards. When it comes to operational standards such as data processing, a central and normed approach matters.

When managed well, digital transformation overcomes barriers. In our study, we found that digital transformation provides the opportunity to overcome existing cultural barriers or legacy rifts to create organisational alignment. In the Indian headquarters of a traditional Japanese company, the urgent need to digitally transform brought the workforce together. Independent of nationality and origin, teams worked together and developed solutions to win the digital race. The phenomenon where external market forces overrule internal discrepancies is not new; however, it has never been easier since the digital world is agnostic of location and country of origin, gender or age.

In a digital organisation, the distinction between business and technology functions becomes blurred. Digitally-savvy organisations continue to connect functions, working with cross-functional teams with no or flattened hierarchies. According to Antony Bartolo, Chief Product Officer, Tata Communications, “Digitalisation democratises decision-making.” More often than not, technology departments become an intricate part of those teams. The emphasis on technology-supported solutions results in a prominent representation of IT in the entire organisation, and a more powerful position. Nevertheless, the power does not only shift towards IT professionals. The digital transformation shifts value and power to those who cannot be replaced by automation, and away from those whose capabilities can be replaced by digital solutions. Successful organisations thus create an effervescent ecosystem of ideas and experiments that leverage the different strengths/aspects and perspectives of the workforce.

Processes that connect the organisation synergistically

Given the temporary, emerging nature of the structure and ‘backbone’ of the organisation, leaders face a considerable challenge in defining processes. Those need not only be functional, but also ideally create synergies and build cross-functional bridges to capture the emerging trends in the market. The guiding question leaders must ask themselves is, “What is the problem we are trying to solve, and for whom?”

Ideally, these processes should be intuitive such that they reduce the complexity for internal and external customers. Digital tools can be enablers for the design of these

processes; sharing and learning platforms can enhance collaboration. They create a first-level familiarity through virtual contact and tools that facilitate the face-to-face conversation later. In our survey, one of the most cited leadership capabilities was fast and data-based decision making in real time.

“Professionals who have embraced the power of new technologies will do much better than those who may be technically good but have not understood that the world is doing things fundamentally differently,” says Jyoti Shukla, Director of The World Bank, Singapore. The culture hence moves away from a one-to-one relationship culture, which is slow and limiting, to platform(s) and communities that can respond fast, but are quite transactional and anonymous. However, leaders need to recognise that digitalisation could weaken the cultural fabric, and hence need to consciously address and manage the fear that comes with ambiguity and change. They need to transform ambiguity into clarity, unstructured events into an emerging and flexible structure, and be ready to change again.

Communication: the ultimate connection vehicle and lubricant

Transporting the organisation’s purpose and strengthening the company’s social fabric requires skillful communication. The mindful use of digital tools can amplify reach and serve to create a community. Our interviewees emphasised that it is important not to cut down on human interaction. They are aware of siloes that can be created by an overemphasis on technology.

For teams that are widely spread out and work mostly virtually, leaders need to create familiarity and psychological safety to achieve results. It has become good practice to visualise communication norms and protocols. For example, in any conference room at Mondelez, you will find the rules of communication hanging on the wall. Such efforts go towards creating a community and cultivating a sense of belonging in a virtual world. Leaders need to identify and provide a sense of purpose.

An openly shared and well-communicated purpose continues to have the strongest impact on culture. Why are we doing what we are doing? In particular, the younger workforce wants answers to this question, and senior management needs to provide credible answers. Leadership qualities in such a purpose-led organisation include the courage to challenge the *status quo*, and to say “No”. Tri Pham, Chief Strategy Officer, Tata Communications

adds, “It is important that we understand our weaknesses, take an honest approach to addressing those weaknesses and have an honest dialogue to push the changes required.”

The great balancing act

Looking at the four components that build the digital culture, our modern leaders will have to strike a balance between each of the following pairs:

SPEED AND THOROUGHNESS

Despite the perceived ‘need for speed’, learning and experimentation will take time, may lead to mistakes, and will be productively ‘unproductive’. Changes in customer-facing functions might require a higher speed, whereas safety-related processes may not. New value propositions need time to develop.¹¹ Leaders need the discipline to execute and deliver excellent results, and at the same time keep on experimenting at an even faster speed.

OLD AND YOUNG

Leaders need to include the wisdom of experienced executives and at the same time listen to the voice of the young. They need to crack the equation on how to keep young people engaged and ensure retention in the company. A potential solution is to create a shadow board of the young, a group of non-executive employees working with senior executives on strategic initiatives, thereby leveraging the younger groups’ insights and at the same time diversifying the perspectives that executives are exposed to.¹²

CENTRALISED AND DECENTRALISED

A local structure for a customer-centric experience and contact is essential to get first-hand market information. At the same time, the organisation needs central structures and standards, not least for effective data processing. A potential solution is to install decentralised referees who are authorised decision-makers to ensure clarity.

HUMAN AND MACHINE

While automation does increase efficiency and speed, human touch is required for continued engagement and

unpredictable cases. A potential solution is to use technology to amplify organisational capabilities, reach and productivity and, at the same time, be mindful of retaining the elements of human communication.

The underlying binary code of the digital age undoubtedly shapes the way humans and machines work together. Managing the interface of human-machine interaction becomes critical for future success in business. Ultimately, digital transformation is about the people involved, and their own cultural readiness and mindset transformation.

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