Leadership in the Digital Economy

Oppeus International

RACV Club, Melbourne  30 May 2014

Dr Marcus Bowles, Chair The Institute for Working Futures Pty. Ltd. (mbowles@workingfutures.com.au)
Lead, Digital Economy & Regional Futures project, University of Tasmania
THOUGHT BUBBLE

Why do 9 out of 10 executives agree the digital economy is changing how they do business, but don’t see the need to change leadership capabilities?
Critical perspectives on change and leadership in the digital economy

Agenda for discussion

- Nature of change in the digital economy ........and how this impacts us
- Notes on effective leadership given:
  1. New business paradigms
  2. Moving beyond what leaders do
  3. Need for agility and new capabilities
  4. Leadership levels and pipelines
  5. Reorienting spend on developing leaders
The Nature of change

Episodic

Continuous

Disruptive
Episodic

Changes occur occasionally and affect work routines, practices and task performance
Continuous

Change occurs on an ongoing basis and impacts how we do business (people and processes)

Sourced from: http://www.thatericalper.com/wp-content/uploads/2013/06/6a00d83451b36c69e20192aad805a870d-800wi.jpg
Disruptive

Changes affects markets, society, behaviours and core organisational purpose and principles (vision and values). It can create new markets and value networks and displace older technology, and the ongoing success of businesses that sold products or services into that market.

Source from http://i.dailymail.co.uk/i/pix/2011/11/02/article-o-0E3f47E00000578-476_634x397.jpg

The Digital Economy

We are in an age where continuous disruptive innovation drives markets

Digital Metrics:
- # Internet subscriptions (global)
- # Broadband connections
- # Mobile internet subscribers
- # Households connected
- # Transactions online
- # Social media users

Year
- 1990
- 1995
- 2000
- 2005
- 2010
- 2015

Volume
A connected society 1914

Sourced at http://home.att.net/~marcog/images/erecting-a-telegraph-pole-1894.jpg?m=131210120542
A connected society 2014
NOTE 1
THE DIGITAL ECONOMY IS ALTERING BUSINESS PARADIGMS

Effective leaders need new capabilities that enable new business paradigms
Fast pace

Slow pace
Fast thinking, rapid to respond and change:
- Embraces innovation
- Short product and service lifecycles
- Agile systems
- Continuous innovation (systems focus)
- Responsive and resilient
- Competitive advantage lies in relationship with customer/market
Industry Characteristics
• Stage of Industry Development: YOUNG Emerging or Developing
• Strategy relies on harnessing environmental turbulence to transform business and seize opportunities
• Value lies in securing customers and improving the customer experience
• Growth driven by new business models and new strategies
• High differentiation, hard to replicate
• High multipliers (e.g. jobs growth and global competitiveness or other sectors)
• Employability emphasises professional knowledge and skills associated with complex roles
Slow to change

System 2
Slow thinking, slow to change:
• Embrace stability and standardisation
• Long term lifecycles for products and services
• Standardised and predictable systems
• Continuous improvement (focus on process and efficiency)
• Competitive advantage lies in market share
System 2 Industries

- Stage of Industry Development: Mature
- Strategy relies on eliminating environmental turbulence and protecting market share
- Value lies in profit growth through process improvement and product differentiation
- Low differentiation
- Low multipliers (e.g. jobs growth and global competitiveness or other sectors)
- Low salary to competency ratio
- Employability emphasises trades and technical skills for largely routine jobs
NOTE 2
Leadership capabilities are not skills or competencies

Effective leaders are more than the sum of ‘WHAT’ they can do; it has to be related to the organisational purpose or ‘WHY’
Capabilities are deep strategic or emotional drivers.

- ‘What I Can Do’: My job or occupational performance
- ‘Where I Have Been’: My experiences
- ‘Generic Skills’: My life and work skills
- ‘Who I am’: How I think and act

Critical in Capabilities in Dynamic Environments

- Technical/Functional Competency
- Experiences
- Personal skills or behaviours
- Personal Alignment
NOTE 3

Businesses need to be agile

Effective leaders need new capabilities
Leadership capabilities

Leadership capability frameworks have to focus on driving improvement and positively impact one or more of the following:

- Strategic responsiveness to environmental turbulence
- Operational and workforce responsiveness to change
- Adaptive capacity
- Agility
- Resiliency

Foundation leadership capabilities

Working across 10 corporations over 5 years and noting the variations in language and measures used, the following leadership capabilities have been found to be the top seven indicators of a leader’s potential and an organisation’s responsiveness:

1. Personal Character and Courage
2. Strategic Thinking and Action
3. Change Orientation
4. Future Orientation (vision)
5. People Orientation (inspire, coach and empower)
6. Innovation and Creativity
7. Relationships and Influence
NOTE 4
Leaders exist at different levels

Effective leaders need to exist throughout all levels of work
Levels of leadership

- **Level 7**: CEO, Director
- **Level 6**: Chief executive, general manager
- **Level 5**: Senior executive, head of business, functional leader
- **Level 4**: Lead a profession or major operation/project; leads a large or complex activity
- **Level 3**: Leader of a team, operational or project; seasoned professional specialist and/or manager
- **Level 2**: Senior professional; technical expert; leader of a small team
- **Level 1**: Individual operative; competent professional; developing leader

- **Lead the Organisation**
- **Lead the Business/Function**
- **Lead Operations**
- **Lead Others**
- **Lead self**
Leadership capabilities should promote and shape a development pipeline

Effective leadership development requires structured learning and experience through each of the transitions. Leadership capabilities should, therefore, be contextualised to reflect development transitions:

1. Each Transition represents a change in the level of accountability, influence, complexity and cognition
2. Each Transition extends the work or leadership role, such as:
   - Capabilities
   - Leadership skills, knowledge and behaviours
   - Cognition and contextual knowledge – new problems, people and decisions
   - Experience
   - Competency requirements – new technical and functional skills & knowledge required to execute higher level role/ new responsibilities

## Transitions must build experience

<table>
<thead>
<tr>
<th>Levels</th>
<th>Challenges</th>
<th>Capability Scope (examples only)</th>
<th>Focus of time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lead the Organisation</strong></td>
<td>Moving from a functional to externally oriented, cross-functional, multi-disciplinary perspective</td>
<td>Setting a compelling vision for the future; strategically positioning brand &amp; org. in a market; researching trends; finding market opportunities and planning options; sponsoring major change; forging supply chain &amp; business partnerships; shaping a global body of knowledge</td>
<td>Strategic long term view (5+ yr)</td>
</tr>
<tr>
<td><strong>Lead the Business/Function</strong></td>
<td>Responsibility for focus on budgets, wider scale improvements and positively influencing other leaders, managers and the workforce</td>
<td>Improving operations, seizing opportunities, coordinating development of new products and services; subject matter expert in a body of knowledge; brand management; completing successful compliance audits; responsibility for budget formation; dealing with industrial or workplace conflict; having to manage employee exit due to performance or misconduct deficiencies</td>
<td>Medium-Long term view (2-5yr)</td>
</tr>
<tr>
<td><strong>Lead Operations</strong></td>
<td>Move from team to multiple team, advocating for resources and priorities, working with stakeholders and often throughout a value stream</td>
<td>Sponsoring or initiating innovations; implementing new products &amp; services, managing major projects (change or otherwise); motivating workforce plans; transforming value stream; developing learning strategies for cross-disciplines; coaching &amp; mentoring other managers; galvanising actions that improve operations</td>
<td>Medium term view (1-2yr)</td>
</tr>
<tr>
<td><strong>Lead Others</strong></td>
<td>Focussing on others and goals more than discipline-based or specialist expertise</td>
<td>Engaging people, overcoming barriers to change; coaching others &amp; motivating high performance from team members; improving processes; resource use and goal attainment; delegating activities; running complex projects or initiatives; measuring performance; developing OHS policies &amp; procedures; dealing with difficult conversations</td>
<td>Short to medium term view (6-18mth)</td>
</tr>
<tr>
<td><strong>Lead self</strong></td>
<td>Empathy with others and knowing one’s own strengths and weaknesses.</td>
<td>Collaborating; discovering &amp; initiating innovations or opportunities to improve; undertaking self-development; appreciating value chain/stream; initiatives in solving customer problems; working safely; appreciating cultural differences; communicating and listening to diverse people and groups</td>
<td>Short term view (6-12mth)</td>
</tr>
</tbody>
</table>
Leadership development shouldn’t focus on structured, academic education.

Effective leadership requires capabilities that are often best learned from others in a real situation.
Spend on leadership development can flip.....

Existing

10% 20% 70%
Learning from experience  Learning from others  Learning from education

Improved

70% 20% 10%

Less Expensive  More Expensive

Current Emphasis
THANK YOU!

A/Professor Marcus Bowles
Chair The Institute for Working Futures Pty. Ltd.
E: mbowles@workingfutures.com.au