DIGITAL DISRUPTION -
THE CHALLENGES TO LEADERS

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Today the rise of emerging markets, the accelerating impact of technology, new talent demands, an aging population, and the easy flow of capital and knowledge are having a transformative impact on business, leaders and economies. By 2025, a single regional city in China will have a GDP equal of Sweden (22 nd largest economy in the world) . We have never had more data and advice at our fingertips – literally. The iPhone 7 and the Samsung Galaxy S7 contain far more information and processing power than the original supercomputer. Yet, we work in a world where top MBAs are routinely caught unaware. Therefore today the biggest worry for leaders is how disruptive will accelerating workplace automation be for organizations in the future and how they must change their old models and processes to deliver exceptional customer experiences that can set themselves apart from their competitors. For decades, businesses have deployed technology to save management time, to reduce costs and complexity, offer better service, make better products, and develop new business models. Today customer experiences with Apple or Amazon or Uber are the new standard. Users have grown to expect best in class experiences from all their online and mobile interactions and demand the same on most offline services. Moreover the new potential of artificial intelligence, drone technology and advanced robotics poses major new challenges for leaders as they seek to reset their strategies for the digital age. Recent research on workplace automation from the McKinsey Global Institute suggests that advances in artificial intelligence and robotics mean that we have only taken the first few steps of a long journey that mainly lies ahead of us. Therefore the questions that need to be asked; a) are we at a turning point in how we do business, b) or is none of this disruptive technology necessarily that new,c) or have companies been living with this for a long time not knowing it was there to be used. Today, deploying technology is an absolute necessity, and leaders would therefore have to reinvent themselves all the time to remain current. What is new is that the speed of change in automation is dramatically faster than it once was five years ago. However, automation isn't new. What is different is that in the last few years the

introduction of new technology has become far more significant and more frequent, causing havoc to the traditional companies.

Automation

We are today at the intersection between automation and changing business models. As Mark Zuckerberg, founder of Facebook said many years ago "when companies adopt technology, they do old things in new ways, when companies internalize technology, they find disruptive new things to do". Therefore, automation itself may or may not lead to the change in the business-model. It depends on how you think about this. Automation can mean taking a process and doing it much faster, better, and cheaper or automation can fundamentally change what a business offers, requiring a new business model. There is now a requirement to enrich organizational ranks with tech talent to ensure the firm has the capability to understand the technology that is profoundly disrupting the organization and industry. Many companies tend to see these two things as the same, but they are not. In banking, for example, you could think of discount brokerages either as the automation of tasks or as the potential disintermediation of a bank's offering to customers. The implications are profoundly different on customers, costs, leadership, customer experience and talent. Furthermore, growing competition from FinTech startups will represent a challenge for banks. According to McKinsey calculations, banks could lose around 29-35 per cent of their revenue to new disruptors. If banks undertake digital transformation for their entire value chain they will only benefit from an increase in revenue. Banks will require a fundamental change in thinking. Innovation should become a part of their DNA. Unlike FinTechs, banks do not always take targeted action to pursue specific ideas, instead of trying to tackle everything at once. Banks also should think outside in rather than inside –out. Overall, digital transformation should become a key strategic priority. Proactive market surveillance is essential in order to observe key pioneering developments and which of them could radically alter the current environment. In a competitive environment, banks and startups would need to work in partnership.

Leadership challenge

As your CMO, I need your support to invest in strategies that attract digital customers. Let's integrate mobile, social, real-time channels. Let's adopt beacons, investigate the Internet of Things and become part of the sharing and maker economies. Let's think 360 and use big data to personalize engagement and employ omnichannel solutions that help build relationships.

From a leadership perspective, the challenge is not an intellectual one of knowing which disruption is coming. The challenge is how you get the organization to embrace the looming change. Many companies know what is going to happen, even their own customers tell them they are moving to do more business in the Internet, because it is cost effective . However,

company executives do not see the disruption coming. Their challenge is organizational how do we set up the capabilities to embrace change before the disruption happens? Therefore the leadership challenge is even deeper than most people think. When we talk about leaders, we too often think about an individual with specific abilities. But no one can do everything. Leadership is a team sport. What is really at stake here is finding the right combination of complementary talents. The leader playing Rambo is a distortion, particularly in America, compared with Europe. Leaders should be asking themselves, how do we build a diverse and creative team that can read the disruption correctly to take better-improved decisions. One way to think about the leadership implications of a major technology-driven change – whether for an individual or a team – is to start by asking more broadly what the role of leadership is? Leaders refer to individuals who have unique skills to guide and influence the behaviour of others and achieve outstanding results. Leadership refers to an organization's capacity to build future leaders. An individual leader matters, but an organization's leadership matters more over time. Individual leaders can become more effective through coaching, mentoring, 720 feedback and individual development plans, but to build leadership

depth companies need to invest in leadership development and establish a process to build a leadership pipeline. The question is whether the quality of leadership within an organization can manage the disruption and anticipate what is to come? There is ample evidence to show that a firm's quality of leadership drives performance both inside and outside the organization. Organizations with strong leadership depth will have the capacity to respond to changing business conditions, execute strategy, increase investor confidence, and anticipate and deliver customer requirements. If that is so, then how do you make leadership success more sustainable to manage the ever changing business landscape?

Building leadership

Often leadership success remains either inside the company (leaders learn from other leaders in the company who have succeeded) or inside the individual. The criteria of leadership should start with customers. When leaders inside the company behave in a manner that is consistent with the expectations of customers (and other stakeholders) outside the company, the leadership will be more sustainable and effective. Companies that define internal leadership through external expectations will set more relevant and impactful leadership standards. In some companies, the board of directors assess the CEO's performance both inside the company with his team and among his employees and outside the company with key stakeholders. This type of assessment offers a more complete view of leaders who have roles with external stakeholders. Assessment also may help to identify high potential and future leaders, by looking at the extent to which they have aspirations to lead, ability to meet future standards, and agility to learn and grow. Once leadership standards are set, leaders need to be assessed on how well they meet those standards. With an external view, leadership 360s may be expanded to 720s where customers, suppliers, communities, or other external stakeholders may be included in assessing targeted leaders. When companies can encourage and access knowledge from these efforts, leaders will broaden their repertoire.This mix of leadership investments may be the basis for building leadership depth throughout an organization to ensure a firm's capacity to endure, to think strategically about the transformational role of technology and to prepare the organization for the future. Moreover, automation is not an inspiring topic for leaders to sell to their employees. It creates the spectre of employees losing their jobs. Talking about the tools that will make the employees lives better and as an opportunity to unleash their potential is a more inspiring way of looking at technological change. Leaders therefore have to frame the story differently, as an opportunity, not a threat. There is ample research to show that automation will

eliminate very few occupations entirely in the next decade. Certainly it will affect portions of all jobs to a greater degree or lesser degree, depending on the type of work they entail. Furthermore, automation is now going beyond routine manufacturing activities and therefore has the potential to transform sectors such as healthcare and finance, which involve a substantial share of knowledge work. The challenge for leadership would therefore be to first and foremost identify where automation can transform their organizations and put a plan in place to build capacity to migrate to new business processes enabled by new technology.

Looking ahead

As technology develops in the next five years sadly for most companies where its capabilities are tied to the old business model that rebirth through restructuring is unlikely to work, exit is often the best way to preserve value. When a business is built on a legacy technology that is categorically different from the new standard,even though the new profit pools do not look all that attractive, for the sake of the organizations of the future, it is never too early to prepare for the future by adapting to change and structurally re-aligning the cost bases to the new reality of profit pools and accept the new normal.There is today an increasing level of trust deficit in leadership within our societies as people hear more of greed, misuse of position of authority, corruption, non-compliance etc. with real time and rapid flow of information through social media. Bad news gets sensationalized and travels fast in all directions – up, down and sideways, and good news mostly focuses on those few who make it out like bandits. Authentic leadership which is based on values will be more important than ever. HR processes will need to reinforce basic values of integrity and trust as critical requirements, even more than skills, competencies and business acumen. Managing and aligning real time communication internally and externally will be the difference

between building trust or eroding confidence in leadership. In the final analysis, to get organizations prepared for the technological advances of tomorrow, leaders must challenge themselves to understand the technological innovation on the horizon, however the greatest challenge are the workforce and organizational challenges that leaders will have to put in place as technological changes upend entire business processes, as well as the culture of organizations and finally the way they measure and reward their people. For leaders to face up to this development they will have to increase their digital quotient because the technological potential for automation differs dramatically across sectors and activities. Also, they would need to lead in a way that gets their organizations to think beyond today's boundaries, simply because the technological revolution is now providing unrivalled opportunity for any company of any size or age to be instantly international.