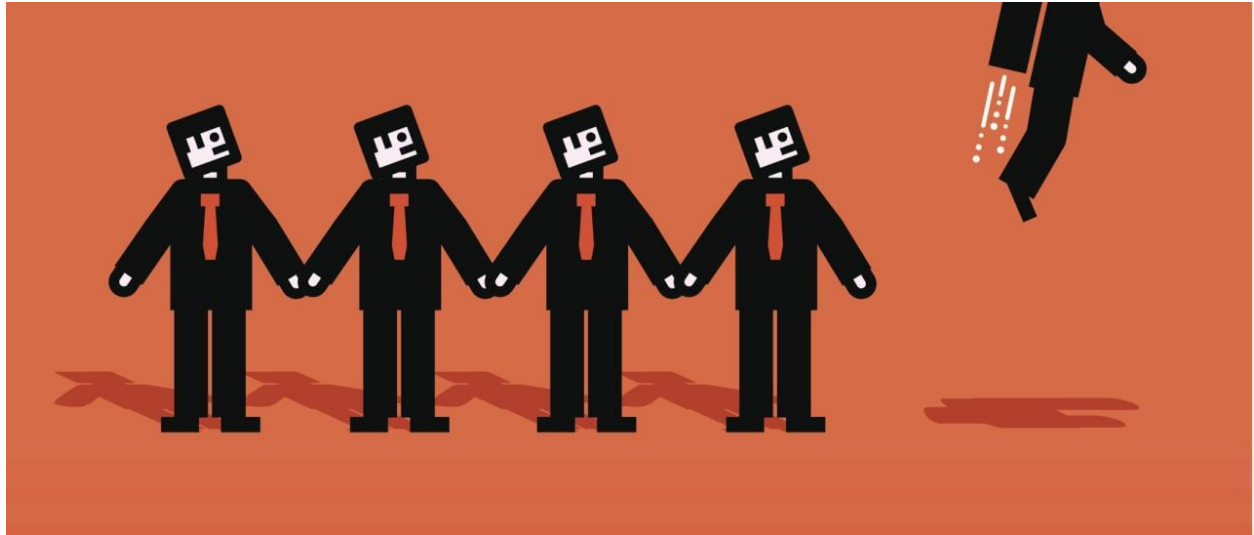# 11 Leadership Guidelines for the Digital Age

By Liri Andersson , INSEAD Guest Lecturer, founder of this fluid world, and Ludo Van der Heyden , Chaired Professor of Corporate Governance & Professor of Technology and Operations Management at INSEAD

The old ways of running a company won't cut it in a digital world.

Ten years ago, when we would ask senior executives or company directors what "digital" meant to them, their response would usually be something related to social media. Today, it might be apps, Big Data, 3D printing, "the cloud" or another current example of digital technology. All such answers are equally correct – and equally in error. More important than the specific innovations introduced by the digital revolution is their earth-shaking cumulative impact on business and on organisations. There is no border anymore between the pre- and post-digital worlds. Digital is business and business is digital.

Yet, top corporate leaders are not taking charge of digitalising their organisations, as was made clear to us by a survey we conducted in 2016 – to which 1,160 managers, executives and board directors responded – that developed into a **report available for free online**. We discovered that most board members lack the knowledge and awareness necessary to lead a

digital transformation.

To help top management catch up, we recently issued a follow-up report – "**Directing Digitalisation: Guidelines for Boards and Executives**". It presents 11 strategic implications and recommendations (grouped into three categories), summarised below. These are based on the previous findings, our combined business and teaching experiences, and professional collaborations with organisations across multiple regions and industries.

The business environment

1. Digitalisation requires an unbiased understanding of the external environment.

Analogue-era frameworks such as Michael Porter's "five forces" will need to be revisited, now that the impact of digitalisation is rapidly replacing traditional physical barriers to entry with intangible barriers (e.g. relevant purpose, resonant mission, authenticity and trust) that no amount of industry prominence or cash can overcome.

The organisation

2. Digitalisation may require a reformulation of the firm's mission.

The environmental shift caused by digital may challenge the very existence of individual companies, even entire industries. Boards and executives will need to question all pre-existing assumptions about the firm's mission and industrial positioning, as well as the sustainability of its business models and methods.

3. The meaning and impact of digital to the firm must be clearly stated.

Digital advantage resides largely in the opportunity to customise not only products and services but also organisational strategy and structure. Rather than searching for a blueprint to guide them through digitalisation, firms should define their own digital road map. Leaders can start by developing an in-house dictionary, including entries for "digital" and all related keywords, terms and concepts. Like any other dictionary, it will need frequent updates.

4. Digital understanding and capabilities are required across the firm.

Digitalisation may involve a great many experts, but the ultimate responsibility for digital transformation belongs to all functions within a firm. Successful change also requires cooperation from junior contributors all the way up to the board by linking digital savvy millennials with the business experience and wisdom of senior executives and directors.

5. Digitalisation must be supported by the firm's corporate culture.

The digital revolution is indeed cultural, not merely technological. As with any large-scale cultural change, digitalisation will never take hold unless it is driven by top executives, under the board's leadership.

6. Digitalisation demands a greater level of collaboration.

Business success can be achieved only through continuous collaboration and ongoing conversations between shareholders, boards, executives and "frontline" employees. In addition, digitalisation is blurring the lines between different industries, heightening the importance of cross-functional and external collaboration.

7. Digitalisation requires greater engagement with the public.

In the past, customers were subdominant. We spoke at them; we marketed to them. With digital, anyone can create and monetise value with size, scope and speed. Just as easily, consumers can destroy value by, for example, dismantling a massive company one tweet at a time. It has never been easier or more essential to co-create with customers and crowdsource ideas, and firms that position themselves as facilitators of customers' dreams will win in the future.

Strategy

8. Business strategy in the digital age becomes a continuous process.

Gone are the days when companies had the luxury to think in terms of five-year strategic plans. With major business trends shifting constantly as they are today, strategy formulation and execution need to happen simultaneously and ideally in a seamless feedback loop.

9. Decision-making in the digital age is increasingly data-driven.

Compared with the plethora of advanced predictive and analytics tools available to businesses today, the old-fashioned executive summary laying out binary choices is a primitive instrument. In the absence of Big Data, what used to be allowable as an "educated guess" will become at best a stab in the dark.

10. Digitisation requires firms to enter uncharted territories.

Planning for disruption entails exploring new business models and revenue streams. Organisations will have to launch ambitious experiments and quickly take learning on board. For their part, boards and executives must raise their comfort level as regards uncertainty, ambiguity and risk.

11. Digitalisation is about continuous management of change.

In the pre-digital world, a one-off change management programme could pay dividends for years if not decades. Not anymore. Directors and executives must ensure that the will and ability to continuously change are built into the very fabric of the organisation.

Responding to revolution

The digital revolution, like every revolution, can be viewed either as a catastrophe or as a world of opportunity – depending on whether your allegiances lie with the old order or the new. Optimism is a prerequisite for survival. Digital will undoubtedly force boards and executives to attain unprecedented levels of innovation, competence, effectiveness, leadership and responsibility – with fundamentally positive results for both firms and society.

It is unlikely that familiar forms of organisational leadership will survive the digital revolution. In order for boards and executives to fulfil their roles effectively in the future, a reshaping, if not a disruption, of these functions is necessary.

The report was launched in connection with INSEAD Directors' Forum and 10th Award Ceremony of the Certificate in Corporate Governance on 27 February 2017 at INSEAD's Asia campus.

More reports can be found on the website of the Corporate Governance Initiative

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Corporate Governance

Established in 2010, the **INSEAD Corporate Governance Centre** (ICGC) has been actively engaged in making a distinctive contribution to the knowledge and practice of corporate governance. Its vision is to be the driving force in a vibrant intellectual community that contributes to academic and real-world impact in corporate governance globally.

The ICGC harnesses faculty expertise across multiple disciplines to teach and research on the challenges of boards of directors in an international context. The centre also fosters global dialogue on governance issues, with the ultimate goal of developing high-performing boards. Through its educational portfolio and advocacy, the ICGC seeks to build greater trust among the public and stakeholder communities, so that the businesses of today become a strong force for good for the economy, society and the environment.