

Why "Digital" Leadership makes no sense...

by Ruediger Schoenbohm

Digital Leadership? What does leadership have to do with the ones and zeros of digital? Not much. As with the digital *transformation* (instead of *evolution*), the term "*digital leadership*" can be highly misleading and is actually very often misinterpreted. Yes, the digital evolution does require another leadership type. But it's not really new. It has just gained tremendous importance!



Management in a hierarchical organization

Let's start with the **managers**. They complete tasks, make plans, meet objectives, run projects, optimize processes, delegate and control work, supervise people, report to their superiors, etc. In other words, they run the business and are responsible for their distinct share of it. In large enterprises you find hundreds or thousands of managers dispersed more or less efficiently across the organization's structure. They represent all the small or larger cogwheels that eventually make the system work. Taken together as a group they are in charge of the entire business which makes them indispensable.

When you ask for a description or a company outline, you will most likely get an *organization chart*, too. In the neat little boxes you will find the names of those managers, their respective area of responsibility and perhaps the corresponding reporting lines, sometimes even multiple ones. Nothing wrong with that, as it just reflects how 99% of today's companies run their businesses based on the *distribution of work* principle. Only very few companies such as Google or Spotify would not be able to provide a fixed org chart, simply due to the fact that they are hosting **dynamic, adaptive organizations**.

Traditionally, managing has a strong facet of **executing given tasks** in the best and most efficient way within a **given framework** of rules, structures, roles and responsibilities. Optimizing efficiency and effectiveness of the existing operational business as well as meeting (or exceeding) given objectives are typical key success factors in a manager's performance chart.

Classic **target deployment** is the core process of *management-by-objectives* and works top-down along the organizational structure. Overall business objectives, i.e. for a company's division, are sub-divided into smaller packages and then assigned (=deployed) step-by-step to the corresponding management positions at the various hierarchical levels. The further down in the organization the more dominant becomes the aspect of *executing and fulfilling tasks* that were given from "above". Mid- and low-level managers are then rated by their *degree of task completion*. They are appraised by the extent to which they have successfully *managed* tasks and challenges having been assigned to them from the top before.

This top-down driven system has proven successful and highly efficient, as long as

- business runs in a **given and stable environment**
- focus is on **optimizing the well-known**
- **speed of change** is compatible with the organization's capabilities

So why are there discussions about dynamic, agile organizations now? And what is all the fuss about managers and leaders? After all, isn't it the same? It's not. I will try to describe why and how it relates to the digital future.

Dynamic and agile organizations

What, if things are changing frequently and cannot be planned twelve months in advance anymore? What, if business no longer allows funneling all decisions up to the top and getting them sanctified there? What, if market developments require more speed, more local decisions, innovations, and products? What, if customers become increasingly demanding and expect a higher level of responsiveness? What, if markets expect solutions instead of products? In other words: what, if *more of the same* is no longer sufficient?

This is the moment when – among other things – you will need **true leaders and entrepreneurs throughout** a more agile organization.

True leaders? They share a lot with entrepreneurs. They *lead* the business and do not *administer* it. This is what distinguishes them from the ordinary managers. Leaders have a dream or at least a vision of where they want to go and they share it openly with their co-workers. They put the customer and the well-being of the business at the center of attention and above their own personal interest. They are reliable and honest. They fight for continuous improvement and seek the best. And - they care about their people and they trust them.

Similar statements can for sure be found in countless leadership guidelines. Nice to read, good to publish, decorative on an office wall.

The interesting part begins when you make the reality check, behind the scenes, in daily business life...Very often it looks quite different then: patterns of top-down command-and-control are still wide-spread, associates are viewed as resources and main cost factors, risks are avoided, safety thinking dominates, and people are rewarded for completing tasks and meeting the standards, in other words: for doing things right.

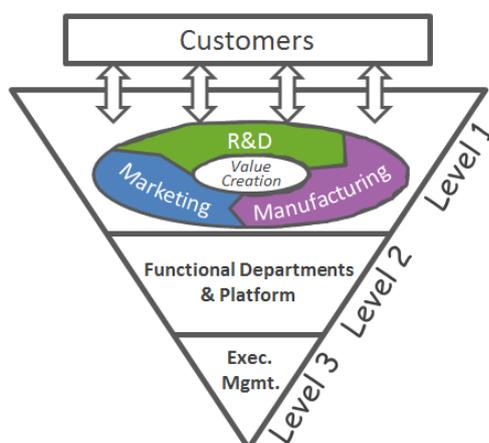
Although such a system can be great for the **execution of the well-known**, it might **choke agility, speed and innovation**, factors which are desperately needed for the digital evolution. And here the dilemma begins.

Entrepreneurial leaders at all levels?

Agility, innovation and speed require **entrepreneurial leaders at all levels**; people who understand the business and the direction of where the company is heading. Associates who are capable and courageous enough to do whatever it takes to get there.

One essential pre-condition is a **common vision with a clearly deduced business strategy**. Providing this strategic orientation (the WHAT) of course will always remain the key responsibility of the executive C-suite. However, the implementation and optimization of the operational business (the HOW) should be delegated to the entrepreneurial leadership group across the organization.

The picture below shows the **Inverted Triangle** structure of [Haier Electronics Ltd.](#), the China-based world market leader in home appliances. In this drawing the customer is at the *top* while the executive management is at the *bottom* of the inverted organizational pyramid. Top management is in charge of the orientation, direction, and governing framework. The operational execution however is driven by multiple small, decentralized customer-centered teams ("micro-companies"). Entrepreneurial leaders at all levels run these teams, in R&D, marketing, and even manufacturing.



Haier calls it a **dynamic network organization**. It is a great example of how even large corporations can become very agile and customer-centered. Don't get me wrong: I'm not saying the Haier pattern of a flattened organization can be applied everywhere. But it's an excellent case to learn from. After all, Haier has become exceptionally successful after it had undergone this organizational transition from a conventional, hierarchical to a dynamic network organization.

Now, what are the resulting implications for leadership and associates? What is needed to make it work?

What about the associates?

Let's start with the associates and step back for a second. What motivates most of us human beings? What makes us put all of our energy on a certain topic? What thrills and satisfies at the same time? Isn't it **good purpose, trust, empowerment, accountability and appreciation** that help releasing the concealed energy and capabilities we all have?

The awareness of doing something purposeful, appreciation and respect by our fellows, paired with the trust and freedom to decide and do whatever is needed are some of the most powerful motivators.

What about money? Yes, it is important. However, research has shown that other "soft" factors such as the ones mentioned above can be by far more significant and long-lasting. And after all, isn't the money we earn also some sort of "materialistic" appreciation for all our efforts and achievements?

In the digital innovation race everyone is needed – the experienced senior leader as well as the GenZ newbie who has just graduated from college. Speed and innovation are crucial. Knowledge and expertise no longer correlate only with the number of years in business or the position on the hierarchical ladder. Many disruptive and successful innovations come from very young, rather inexperienced people. While they can bring in new out-of-the-box ideas, they will as well benefit from their experienced senior colleagues – and vice versa! *Reverse mentoring*, when done right, is one leadership development instrument that can create this win-win situation. These enabling programs can be overwhelmingly successful when they are being conducted professionally.

Digital leaders

In every company it is up to the leaders to drive change. It is a leadership task to work towards a different culture, behavior and mindset, to unlock the unused capabilities of the company. So don't expect things to just change from within or bottom-up. They won't. Digital leaders have understood this. They will drive the further development and start with themselves. Because after all nothing is as convincing as a solid role model approach: "Walk the Talk".

Listed below are some **recommendations for leadership principles** that have proven very successful – especially in areas where speed, agility, creativity, and effectiveness are of crucial priority:

- **Develop a vision and strategy.** Communicate it thoroughly, so people can follow – strategy work remains one of the core leadership tasks
- **Agree on clear targets.** Review them frequently, especially under volatile and uncertain conditions
- **Describe the big picture and make your own targets the team's targets –** refrain from individual, personal targets wherever possible
- **Match talents with tasks**

- Agree with your staff on the **what** – then **let go**. Leave it up to the experts and entrepreneurial guys to figure out **how** they will address a certain task – of course within legal and compliance boundaries
- **Delegate as many decisions as possible** to the lower expert levels. They know better than you what to do – provided they understand the big picture
- Develop your people to become **responsible and accountable**. They have to understand that they are in charge – whatever the outcome is.
- Foster **open communication, transparency and exchange**.
- **Break down information silos** wherever possible
- **Balance competition and collaboration**. Healthy competition does not harm the team spirit – as long as it is clearly outspoken and not part of a hidden agenda
- Encourage giving and receiving **360° feedback at all levels**.
- **Appreciate and celebrate** your and the team's successes
- Stop programs fast when they are unsuccessful. Welcome **failure as opportunity** to improve.
- **Trust** your people, be **open and honest**
- Eliminate the term **human resources** – replace it by **human relations**.

Especially the last point is often misunderstood. It appears to be quite difficult to make people realize how much energy, creativity and efficiency can be gained from human networks unless they had experienced it themselves.

The power of networks

Today, social networking and collaboration tools offer a great support in exploiting these opportunities – if they are applied right. Try to view them not only as just another communication channel, but rather as a fundamental element of the **dynamic company's operating system**. If you follow this path consequently, it will result in a very different set of working and leading principles.

Besides understanding digital technologies, principles and methodologies in general, “digital” leaders need to realize that most of tomorrow’s business opportunities result from the **consistent focus on the human being** and his needs. Just like customer centricity is essential for successful e-commerce, **putting your associates at the center of attention** is one key for gaining the desired internal improvements.

Digital and “social” technologies can help, but they need to be applied in the right framework. Creating this bigger framework of values, culture, working principles, processes, standards and technologies is the **key task for a company's top executives**. Maybe this is what “digital” leadership is all about.