LEADERSHIP AND DIGITALIZATION: CONTEMPORARY APPROACHES TOWARDS LEADING IN THE MODERN DAY WORKPLACE

Stefan Breuer MBA
Department of International Finance and Control
Fontys International Business School, Venlo, Netherlands

Dr. Patrick Szillat MSc.
Department of International Marketing
Fontys International Business School, Venlo, Netherlands

Abstract: The objectives of this research article are to shed light on the recent developments in management in a digital environment as well as the related challenges and opportunities in this matter. Thus, transformational leadership as the basis for the current change processes will be described. Afterwards a theoretical review of the current developments towards an entirely new digital leadership approach will be conducted by reviewing the current state of research on this topic. These theoretical key findings will then finally result in an overview of the success factors and needed characteristics of today’s digital leaders.

Keywords: Leadership, Digital Leadership, Digitalization, Digital Management

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1 E.Mail: s.breuer (at) fontys.nl
2 E.Mail: p.szillat (at) fontys.nl
1 Introduction

The increasing dynamics within the corporate environment, which is shaped by topics such as Big Data and industry 4.0 provide constantly complexity gaining challenges within the management of companies. (Yan et al., 2017) These changes, which have an impact on the companies and their decision-making processes, lead to repeatedly sustaining adjustments of management concepts. In addition, the organization itself and the processes have to be adapted. These developments could be observed over the last years and decades. (Reis/Gins, 2017)

Just-in-time, lean production, kaizen, business reengineering or total quality management are only some of the management concept that result from the prior described changes of the corporate environment. These changes create challenges in the varying field of business economics. Nowadays these topics are summarized under the term “change management”. One of the most frequently used managerial tools to implement change concepts is the reduction of staff quantity. In this context, a new and constantly increasing important competitive factor has evolved: the legislating, sharing and initialization of knowledge in organizations. This displays the still growing importance of intellectual and human capital for organizations. Thus, managing this most important resource of a company is highlighted. Management and leadership within organizations are considered to be more complex than ever before. (Todnem et al., 2012)

In common linguistic use, the terminology of management summarizes all activities needed to run a company, both from an industrial and functional perspective. In order to remain successful in today’s dynamic and complex business environment, each corporation has to determine a long-term as well as a mid- and short-term perspective concerning all its activities. (Johnson et al., 2017)

Furthermore, it has to use an integrated, balanced leadership and management approach as described in Table 1.

Table 1. Components of integrated leadership and management

<table>
<thead>
<tr>
<th></th>
<th>Leadership</th>
<th>Management</th>
</tr>
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<tbody>
<tr>
<td>Drucker (1963)</td>
<td>“Leadership is doing the right things.”</td>
<td>“Management is doing things right.”</td>
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<tr>
<td>Tasks</td>
<td>Define and communicate vision, mission, and</td>
<td>Define strategies and tactics to realize defined</td>
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<td></td>
<td>objectives provide needed resources and create</td>
<td>objectives with defined workflows, organizational</td>
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<td></td>
<td>a corporate culture, which allows effective</td>
<td>structures and role and responsibility models.</td>
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<td></td>
<td>cooperation.</td>
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<td>Focus</td>
<td>Long-term.</td>
<td>Short- and mid-term.</td>
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<tr>
<td>Style</td>
<td>Transformational.</td>
<td>Transactional.</td>
</tr>
<tr>
<td>Approach</td>
<td>Sets direction, defines objectives.</td>
<td>Plans details, realizes objectives.</td>
</tr>
<tr>
<td>Objectives</td>
<td>Effectiveness, growth.</td>
<td>Efficiency, sustainment.</td>
</tr>
<tr>
<td>Risk preference</td>
<td>Prepared to take risks.</td>
<td>Risk minimization and failure avoidance</td>
</tr>
</tbody>
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Source: Own illustration, according to Drucker (1963) and Gairola (2011).
2 Research Problem

A survey by the World Economic Forum in 2015 on the global agenda found out that 86% of respondents believe that the world economy is suffering from a global leadership crisis. (Shahid, 2016) This survey result is underlined by a statement of Marc Russel Benioff, founder and CEO of salesforce.com, stated during a panel debate at the World Economic Forum in Davos, Switzerland in 2016 (Barnato, 2016): “We are in a leadership crisis. We are not in a technology crisis; we are in a technology revolution. We are going to see technology shifts and changes on a scale that we have never seen on this planet.” As stated in section one, industry 4.0, which is considered to be the fourth industrial revolution, creates numerous challenges for leaders. Each industrial revolution is characterized by constrained production factors. (Fuchs, 2018) “The core technology of the Fourth Industrial Revolution is now the arrival of the internet on the shop floor. […] This new adaptability is made possible by workpieces and means of production which are digitally networked […] and are therefore able to communicate.” (Gromball, 2015)

Figure 1. Evolution of Management and Organization
Source: (Author’s illustration)

As seen in Figure 1, in accordance with the development of the industrial revolutions, management theory also provides an overview about the evolution of leadership. Leadership 4.0, which is the current development stage, focuses on new leadership skills, which help to manage knowledge work as stated in section one. The transfer from leadership 3.0 to leadership 4.0 is considered to be a digital transformation journey. (Meffert/Swaminathan, 2018) Today, managers and leaders face the challenges described before. Thus, these managers and leaders demand to know how things came to be as they are, how they can evolve and align their ways with new developments in technology. In order to be successful, organizations need to have faith in the people in charge of digital assets and the information they supply. (Meffert/Swaminathan, 2018) According to the Harvard Business Review, companies which rapidly adapt to digital business models do not just “do digital”, they “act digital”. Fundamentally speaking, they practice an entirely new model of management and their CEOs are leading the change. (Bersin, 2016) The purpose of this particular paper is to delve in and look specifically at this new model of management and the characteristics it takes to be a success using this model.
3 Terms and definitions
The following chapter determines terms and definition concerning leadership and digital leadership.

3.1 Leadership
“Leadership is the art of getting someone else to do something you want done because he wants to do it.” (Dwight D. Eisenhower, cited in Leaps, 2016) In many ways, the quote above is very descriptive of the true meaning of leadership, albeit being put in a rather witty context. Dissecting the quote highlights the concept of leadership:

- Leadership is an art and not an exact science. It characterizes a behavior and cannot be quantified or measured. It rather describes a qualitative concept.
- Leadership is impossible without a follower.

Peter G. Northouse (2010) describes leadership as a process, in which an individual influences a group of individuals in order to achieve a common goal. This concept of leadership being a process means that leadership is futile without a goal or vision in mind. It is the progressive force that moves individuals through a continuous process to obtain a mutual purpose. (Northouse, 2010). Leadership is an essential ingredient in the success or failure of all organizations. One of the most significant aspects of leadership is the style of the leader. Successful leadership varies according to the challenges of the organization and maximizes a company’s productivity, satisfaction, growth and development. (Clawson, 2012) In leadership research, several different leadership styles are described. In the following, transformational leadership is introduced, since, as stated in section two, this paper focuses on the challenges within digital leadership, which is considered to be the result from the ongoing transformation due to the challenges provided by industry 4.0.

3.2 Transformational leadership
Leadership literature often distinguishes between two types of leadership: transactional leadership and transformational leadership. Whereas transactional leaders aim to satisfy the current needs of followers through transactions or exchanges mediated by contingent reward behaviors, transformational leaders arouse heightened awareness and interests in the group or organization, increase confidence and move followers gradually from concerns for existence to concerns for achievement and growth. (Kimura, 2012) Transformational leadership is a leadership style, which is exemplified by charisma and shared vision between leaders and followers. (Anthony/Schwartz, 2017) It consists of four dimensions: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. (Yusof/Othman, 2016)

Idealized influence is also referred to as charismatic leadership and signifies a leader’s ability to serve as a role model to the followers using solid moral and ethical principles. The confidence level exuded by the leader forms a basis for organizational change and transitioning. (Lai, 2011) Idealized influence is, in essence, the emotional component of leadership, which has a compulsive effect on the followers. (Northouse, 2010) Generally, two types of idealized influence exist: attributed and behavioral idealized influence. Attributed idealized influence refers to the traits attributed or assigned to a leader based on the followers’ perception of that particular leader. (Lai, 2011) Behavioral idealized influence, on the other hand, deals with the effective actions of the leader. (Northouse, 2010)

Inspirational motivation refers to the ability of a leader to propel the followers from one level of development to an increased one by strong motivation and encouragement. (Northouse, 2010) Followers feel committed to seeing the success of
reaching a goal or a cause within an organization. Moreover, through enthusiasm and optimism, followers work hard to achieve this goal.

**Intellectual stimulation** is another component of leadership, whereby the emphasis of the leader’s focus is placed on the very abilities and capabilities of the followers. The leader allows followers to be creative and innovative and provides them with space to carve out their own solutions to problems. (Northouse, 2010)

**Individualized consideration** is the aspect of transformational leadership, which focuses on the growth and the development of the followers. Here, leaders offer themselves as coaches, mentors and advisors. Furthermore, leaders pay close attention to the personal development of each individual in the team or organization. (Northouse, 2010)

### 4 Digital leadership

*The following chapter introduces the reader into digital leadership and its development.*

#### 4.1 Introduction to digital leadership

Generally, digital leadership is described as the suitable leadership approach within an age of digital disruption. (Meffert/Swaminathan, 2018) Thus, digital leadership can be translated to the calculated use of a company’s digital assets in order to achieve business goals. It can be addressed at both organizational and individual levels.

On an individual level, digital leaders are eager to explore how information technology (IT) can be used in order to help an organization to transform itself and become more responsive and streamlined in terms of how it deals with customer needs and changing business desires. (Crummenerl/Kemmer, 2015) Organizations, which place a high significance on digital leadership, more often than not place high worth on communication, creativity, innovation and a willingness to investigate new ways on how technology can be used in order to effectively look into prospective business schemes, internal projects, projects that affect operations and work not yet undertaken. (Bolden/O’Regan, 2016)

With sound digital leadership, an organization can create a workflow environment, which permits new applications, products and services to be speedily launched. A digital leader must also focus on the quality and functional value of a company’s digital assets. As individuals, digital leaders need to assure all interested parties within and organization in order to ensure that the assets, for which they are responsible for, maintain maximum value. (Crummenerl/Kemmer, 2015)

The timeline for the introduction of the digital leadership principle can go very far back, even though it is most often stated that it started with Peter Drucker’s writings and his concept of the knowledge worker. Drucker suggested that the most important asset of a 21st century company is considered to be its knowledge workers and their productivity. (Drucker, 1999) In short, a knowledge worker is essentially a person whose main capital and worth is placed in the knowledge he possesses. Nevertheless, knowledge itself is considered to be insufficient as long as the most modern knowledge workers do not have systems at their disposal. The biggest potential mistake is considered to be not using the advantages of information and communication technology (ICT) and refusing to change the principles of the existing way of working, since many people think that the application if ICT leads to a more bureaucratic way of working. (Van Oosten, 2008)
A good example, typically, of how digital leadership has gained ground over the last century is with one of the foremost leading technology companies IBM. In 1924, IBM’s vast majority of revenue came from leasing hardware (i.e. 96%).

Fifty years later, about 80% of revenue came from selling hardware, 15% came from software and the rest from services. In the 1990’s almost a third of the company’s revenue came from service, or as Drucker (1999) refers to it: knowledge work. Personal also changed drastically at IBM over the same course of time. (Cortada, 1998) Leadership and digital know-how go hand in hand as future is approached. Digital leadership does not just apply to technology companies such as IBM, since, as stated before, not using ICT would be a huge mistake. What is apparent about the future is the changing nature of how people are going to work. The increasing role of technologies of all types and the emerging new patterns of electronic commerce thus paving the way for managers to redesign their companies to exploit telecommunication and computing technologies and changes to how employees work. (Carroll et al., 2015)

4.2 Key aspects

In order to effectively grow into a successful digital leader, a clear and precise image must be established along with an intrinsic sense of value, which must be supplemented by the relevant professional development in order to transform the way technology is approached. The following three aspects begin the transformation process by using technological resources, which align well with business aspects, which are required to be successful in business in the 21st century. (Sheninger, 2014)

Communication

Social media is a powerful tool in the modern day business world. One click can make a slogan or photo go viral and almost sell a brand worldwide overnight. However, on the other side of things, it can also bring a company to its knees through scandals and the controversy when mishandled. (Bolden/O’Regan, 2016) Digital leaders can exploit powerful platforms like Facebook, Twitter, LinkedIn etc. in order to improve communication and in due course in order to improve their overall effectiveness and competence. (Westerman et al., 2013) Societal shifts have made traditional forms of communication such as email, newsletters and web updates no longer reliable for minute-to-minute communication. Digital leadership stresses that consumers need to be contacted by using these tools and social platforms, which are used by the consumers, since they have evolved to become acclimated to around the clock access to information. Nevertheless, in order not to leave the traditional minded consumers out, managers need to create a hybrid two-way system, which enables the organization to engage with all consumers. (Sheninger, 2014)

Branding

A brand is perceived to be the distinctive sum experience, which people have with a product or service. (Runia et al., 2007) In the ever-changing world of digital technology, experts note that those, who have harmonized social media as a section of their communication and public relations activities, have already begun the process of establishing a brand presence. Digital leadership concentrates on behaviors and specific plans, which will create a positive brand presence eventually building a greater sense of pride in leaders. (Sheninger, 2014)
Public relations

With the emergence of the digital consumer, public relations have had to evolve with a new method. Digital leaders must realize new research methods, expand on detailed policies to steer employee and public participation, experiment through a variety of social media channels and learn how to unite and build relationships with consumers by use of new technology. (Crummenerl/Kemmer, 2015) A research project conducted in Canada was carried out on upper-management positions in public relations inquiring what skills should newly graduated public relations majors have, in order to make amends in their particular organizations. The research identified competence in using new information technologies, relationship building, self-control and the ability to initiate dialogue as the most valuable skills for young professionals. (Flynn, 2014) Whether it is a young professional, entering the workforce or experienced professionals, the capable use of information technologies is a very desirable skill and in public relations, this skill particularly has gained importance. (Breckenridge, 2012)

5 Characteristics of a digital leader
The fifth chapter of the paper outlines the characteristics of digital leaders.

5.1 Overview
Leadership can be difficult to grasp, but at the same time, be relatively simple, as the substantial of leadership never changes. There are so many traits and characteristics that are considered when evaluating leaders and most of these traits remain true to both, a leader 100 or even 1,000 years ago and a leader in today’s business world. (Yukl, 2010) The industrial age required followers, including those put in the position and would just do the work without questioning it. Nevertheless, today, organizations no longer face the industrial age but the digital one. The leadership bar has been raised through the emergence of the digital age, explaining that everything in the modern age is more transparent and that leadership is no longer just about a few spotlight moments, but a journey of continuous learning and delivery. Even very own thoughts can be tracked through the digital footprint. Thus, being a leader is not just about what is said and what is done, but also about how someone is thinking. (Zhu, 2016) Hence, in the following, the most important characteristics (i.e. success factors) needed to be a successful digital leader are explained.

5.2 Being a digital visionary
According to Pierre Nanterme, Chairman and CEO of Accenture, leaders must be visionaries. Digital leaders have to have an innovative strength of mind with a unique ability to dream and think up big ideas. Furthermore, a combination of these visionary skills along with savvy technology skills can bring these dreams and ideas to life. (Nanterme, 2015)

Digital leaders set the direction for businesses and they orchestrate digital transformation of an organization all across the spectrum including the customers, shareholders and employees. In addition, a great leader is one that can trust his or her instincts and relies on them during crucial moments. (Zhu, 2016) An example of this would be Mark Zuckerberg, founder and CEO of Facebook. Sean Parker, the founder of Napster and an early advisor to Zuckerberg had this to say about Zuckerberg’s leadership: “Really great leadership, especially in a start-up, is about knowing when to say no […] evoking a vision very clearly, getting people excited about it, but knowing to draw the line, especially with products”. (Qualman, 2012) A sound vision for what the future holds is a key skill, which a digital leader must possess. (Zhu, 2016)
5.3 Being obsessed with the customer

Increasing customer expectations continue to push organizations to advance their customer experience across all aspects of the business. Excellence in one area does not suffice anymore; customers expect sound customer service across the board whether it is online or in store. With social media reaching all parts of the globe, bad customer experiences are not tolerated by customers. A survey conducted by Oracle in 2011 found out that 89% of customers took their business elsewhere following a poor customer experience. Furthermore, the survey states that 86% of customers said they were willing to pay more for a better customer experience. (Oracle, 2011)

Being customer obsessed and looking to build on the customer experience is also consistent with perceiving the foundation of any digital transformation as just a customer experience. (Olanrewaju et al., 2014) This mind-set is what allows companies to expand on what is considered by other companies to be normal and go beyond this. For example, “if online retailer Zappos is out of stock on a specific product, it will help its customers to find the item from a competitor.” (Olanrewaju et al., 2014)

The most successful digital leaders see everything they do through the eyes of the customer. This enables them to set up a vision and align with what the customer desires from a positive and negative scope. Then, they combine these needs with the use of modern day technology in order to deliver exactly what is needed by the customer. (Olanrewaju, 2014) Jeff Bezos, the founder and CEO of Amazon, would take an empty chair into meetings in order to force his employees to think about the one person missing from the meeting, the customer. (Anders, 2012)

5.4 Ability to make fast decisions and employ risk management tactics

Whether companies are born digital like Facebook or became digital like BBC or Thomson Reuters, the path to sustainable growth requires a keen understanding of fast-changing customer behaviors in every specific organization. Furthermore, it requests the willingness to act boldly and the ability to accept and manage risks, which in the digital age needs to be done with high speed. (Whistler/DeMaine, 2014) Digital leaders take on the responsibility and actively manage the strategic, operational and reputational risks of digital aspects within an organization. According to Figure two, 70% of surveyed digital leaders state that they are willing to accept short-term losses as they develop themselves in a digital sense. This 70% contrasts the 47% of others.
**Figure 2: What risks are you willing to accept when growing?**
Source: Own illustration, according to Whistler/DeMaine, 2014, p. 9.

Since speed is very important in today’s digital age, digital leaders launch and learn rather than learn and launch, which essentially is a risk within itself. Being opportunistic and savvy regarding new technology trends are considered to be standard skills required to be an effective digital leader. (Whistler/DeMaine, 2014) Speed is also something that Jeff Bezos takes very seriously saying that companies often wait until they gained 90% of the information they want (i.e. not need) to take decisions. Nevertheless, most decisions can already be made with 70% of the information. (Dughi, 2017)

With the rise of digitally available products, also new risks occurred, such as system failures and cyber threats. Digital leaders focus on these risks, as the report eludes with 78% of digitally led companies making larger funds available regarding cyber security, encryption and other related systems, compared to just 58% of other companies. (Whistler/DeMaine, 2014)

### 5.5 Having a traditional business acumen

Technology allows e-commerce to become reality. However, for digital leaders in particular, traditional business intelligence may nudge aside having a certain familiarity with specific technology platforms. While technologies and new media platforms for example are being discovered on an almost daily basis, some of which can be easily learned, the fundamentals of business remain relatively unchanged. It is important to have a reliable understanding of technology. Nevertheless, understanding commerce, and being able to focus on the customer, who is the source of income gained, is more important. Thus, having a clear understanding of how the company operates, its customers, the supply chain and the overall business model is considered to be the crucial success factor. (Fukuzawa, 2016) Acquiring this traditional business acumen is the core to become a sustaining digital leader. (Westerman et al., 2013)

### 6 Modern day digital leader examples

The modern day digital leaders feel completely accessible. Andrew Liveris, former Chairman and CEO at Dow Chemical, has frequently delivered an employee blog called ‘Access Andrew’ to the company’s 54,000 global employees since 2007.
Posts are delivered weekly and the blog receives between 15,000 and 25,000 visits per blog post and up to 50 comments. Mark Zuckerberg is ‘friends’ with all two billion Facebook users. (Miller/Marsh, 2016) Modern day digital leaders realize that best practices for effective leadership require new digital communication skills, a more personal openness, and a mentality that absorbs each digital workplace innovation with appreciation. This revolution in how leadership is practiced, is being accelerated also by the new organizational designs, which can be found in technology companies of all sizes. For instance, Jeff Bezos has implemented a hierarchy and leadership design at Amazon, where the power structure is slender and clear. (Péladeau et al., 2017)

This type of leadership is described in new management theory as servant leadership. This leadership approach follows the objective that senior leaders sustain those within the organization, which, as a result, hone in on developing their own part of the service. Thus, improving the whole business from the ground up is the result. (Miller/Marsh, 2016)

7 Conclusion
Young managers of companies in all industry sectors, sizes, ages and structures, who are at the beginning of their management career actually face two core questions:
- Where should one look to become skilled in the art of effective and efficient leadership in the digital age?
- How should someone lead in the modern area?

As mentioned above, there are a number of characteristics that allow a digital leader to perform successfully, whether it is following the likes of Jeff Bezos and his customer obsession and his fast decision-making or Mark Zuckerberg and his clear vision. Many of the digital leaders mentioned in this paper have all of the characteristics above and in abundance. If young rising managers can take on one or even two of these characteristics and combine them with the technological intelligence, which they have grown up with, the future looks very bright, indeed in both, the business and the customer sense.
References


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