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FINDINGS FROM THE 2020 FUTURE OF LEADERSHIP
GLOBAL EXECUTIVE STUDY AND RESEARCH PROJECT

The New Leadership Playbook for the Digital Age

Reimagining What It Takes to Lead

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The New Leadership Playbook for the Digital Age

Executive Summary

Executives around the world are out of touch with what it will take to win, and to lead, in the digital economy. Digitalization, upstart competitors, the need for breakneck speed and agility, and an increasingly diverse and demanding workforce require more from leaders than what most can offer.

Although a significant segment of the current generation of leaders might be out of touch, they still have control — over strategic decisions, who gets hired and promoted, and the culture of their organizations — but not for long. The need for change is urgent, and time is running out for leaders who are holding on to old ways of working and leading.

Evidence of this growing mismatch between how many organizations are currently led and how they should be led comes through loud and clear in this new, exciting report, “The New Leadership Playbook for the Digital Age: Reimagining What It Takes to Lead.” This global executive study and research report’s objective is straightforward: to explore how the changing nature of competition, work, and society is influencing the future of leadership. We surveyed 4,394 global leaders from more than 120 countries, conducted 27 executive interviews, and facilitated focus-group exchanges with next-gen emerging leaders worldwide. The findings are as sobering as they are inspiring. They

serve as a warning for today's leaders — as well as an invitation to reimagine leadership for the new economy. Today's trailblazing leaders increasingly recognize that in order to credibly transform their organizations, they must credibly transform themselves and their teams.

Some brief highlights of this evidence that concerned us include the following:

- Just 12% of respondents strongly agree that their leaders have the right mindsets to lead them forward.
- Only 40% agree that their companies are building robust leadership pipelines to tackle the demands of the digital economy.
- Only 48% agree that their organizations are prepared to compete in digitally driven markets and economies.
- While 82% believe that leaders in the new economy will need to be digitally savvy, less than 10% of respondents strongly agree that their organizations have leaders with the right skills to thrive in the digital economy.

As we dug deeper into the survey data and interviews, it became clear that, in addition to a deficit of digital savviness, some cultural and behavioral leadership norms that worked well in the past are no longer effective. Worse, navigating the gap between past and present has created intractable tensions, undermining execution and leaving many organizations stuck in a state of cultural inertia. This explains why so many companies are slow, unresponsive, stodgily siloed, densely hierarchical, and excessively focused on short-term returns. Finally, we found that many organizations are suffering from a series of blind spots and are holding on to leadership behaviors — such as command and control — that might have worked in the past but now stymie the talents of employees throughout their organizations.

On the bright side, we identified a number of leadership teams that are embracing new ways of working and leading. For example, many of them are increasing transparency, demonstrating authenticity, and emphasizing collaboration and empathy. What's

more, we found powerful correlations between those companies that are actively engaged in digital transformation and their readiness to lead more effectively in the new economy. However, given what appears to be a state of continuous disruption, we also discovered something both heartening and validating: Certain leadership behaviors and attributes — honesty, integrity, inspiration, and trust — have withstood the test of time, regardless of the respondent's country, age, cultural context, or industry.

This report refers to those attributes as eroding, enduring, and emerging leadership behaviors. Together, the enduring and emerging behaviors are essential elements of the new leadership playbook.

While identifying mission-critical leadership behaviors is important, it is insufficient as a means of reimagining leadership for the digital economy. In fact, we believe that is the easy part of the challenge. Great leadership teams pay attention to cultivating not only the leader competencies and skill sets needed to lead, but also the mindsets required to build authentic and passionate communities of leaders. These teams don't simply rearrange the relationship between leaders and followers; they unleash the talents of every person to cultivate communities of leaders.

On the basis of our analysis of global survey results and a sentiment analysis of our interviews, we identified four distinct yet interrelated mindsets that together constitute the new hallmarks of leadership in the digital economy: producers, investors, connectors, and explorers. The narrative thread connecting these mindsets is that they intentionally align efforts to bring out the best in colleagues and collaborators while measurably enhancing outcomes for customers, communities, our planet, and shareholders. In this report, we use case examples and executive interviews to show how commitments to these new mindsets pave the way for new leadership behaviors to take hold.

Leadership teams that are charting a new course are reimagining what leadership should look, feel, and be like in this new and incredibly exciting world

of work. They state unequivocally through powerful narratives who they are, what they stand for, and how they operate, and they are clear about the cultures and mindsets they aspire to create in their organizations by role-modeling those behaviors.

This report is action-oriented. Readers can use our practicable findings and specific recommendations to develop a new generation of leaders excited and well equipped to lead in the digital economy.

ABOUT THE RESEARCH

In the spring of 2019, *MIT Sloan Management Review* and Cognizant surveyed 4,394 global leaders, conducted 27 executive interviews, and facilitated focus-group exchanges with next-gen emerging leaders worldwide to explore what the future of work portends for the future of leadership. Before the survey design was finalized, it was tested for validity and distributed for academic peer review. To further validate the qualitative aspects of the research via the interviews, we performed a heat map and sentiment analysis of the responses from more than 500 pages of interview notes to identify the most salient issues to be addressed in the study. The authors would like to extend special thanks to MIT Sloan School of Management Executive Education, MIT Sloan Women in Management, and global leadership institute QUEST for their assistance in fielding the survey.

Leaders Aren't as Prepared as They Think

The majority of executives we surveyed are hampered by cultural inertia, specifically a reluctance to rigorously rethink or challenge their past leadership practices. The principles of behavior, culture, and organizational design that once defined excellence have become less relevant and less valuable. Self-deceptive inconsistencies and contradictions dominate the self-assessments of many leaders today.

We have identified three fundamental reasons leaders aren't as ready to lead in the digital economy as they think:

1. A deficiency in digital savviness coupled with outdated mindsets.
2. A series of blind spots that prevent them from seeing a clear path forward.
3. Multiple embedded tensions that undermine strategic execution.

1. Deficient Skill Sets, Outdated Mindsets

Fully 71% of our respondents agree that they are personally prepared to lead in the digital economy. Yet this same group scores significantly lower when asked whether they possess specific digital skills, such as using analytics to influence their decision-making or advocating for the use of machine learning in their organizations' operations. (See Figure 1.)

Even more disconcerting, whereas 82% of respondents say their companies need digitally savvy leaders, only 40% believe that their organizations are building robust leadership pipelines. There is a measurable disconnect between awareness, ability, and urgency.

It is clear, however, that digitalization is creating unprecedented demands on leaders and will increasingly compel companies to change the way they operate from the ground up. "Data will no longer be the job of the CIO or an analytics division," states Rajiv Srivatsa,

FIGURE 1: ARE LEADERS REALLY PREPARED?

While 71% of survey respondents agree or strongly agree that they feel prepared to lead in the digital economy, fewer report that they are effective at activities that demonstrate digital savviness. (Percentage of respondents reporting they are effective or very effective at the above behaviors)

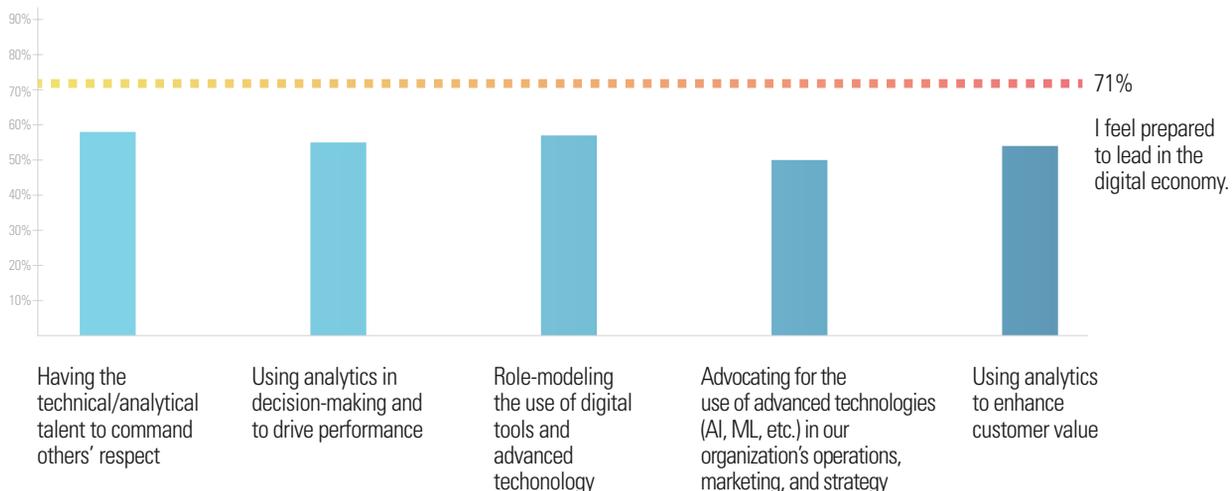


FIGURE 2: PREPAREDNESS TO LEAD IN THE DIGITAL ECONOMY

Few managers and leaders strongly agree that their organizations are ready to take on the challenges brought by digitalization. (Percentage of respondents who strongly agree)

cofounder and former chief technology and product officer of the India-based omnichannel furniture retailer Urban Ladder. “It will be the job of every single person in the company, whether they are in marketing, sales, customer service, or HR.”

Virtually every interviewee observed that leaders can't be successful unless and until they achieve a certain level of digital savviness. But many leaders simply haven't reached it. Indeed, the sharpest evidence that leaders are unprepared is that only 9% of all survey respondents strongly agree that their companies have leaders with the skills needed to thrive in digital workplaces. Just 12% strongly agree that their leaders have the appropriate mindset for leading in this new world of work. (See Figure 2.) These responses suggest a lack of confidence in leaders' competence.

2. Blind Spots That Cloud Perspective

To compound matters, many of today's leaders are not as self-aware as they need to be: Blind spots disrupt their ability to prepare for the intense and unfamiliar competition brought on by digitalization. Our findings revealed four types of blind spots: strategic, cultural, human capital, and personal.

Strategic blind spots exist when leaders fail to grasp the revolutionary changes upending the business models in their industries. “Software is eating every industry,” notes Brian Halligan, cofounder and CEO of the marketing software provider HubSpot. “I mean, you name the industry, it's going to eat it. And every company is a software company today. You're a company that makes tables or chairs — you're in the software business. You're a tech-enabled services business. If you don't get that, your company is in trouble.”

Cultural blind spots exist when organizational behaviors are so embedded that improvements become affronts to cherished norms. Michael Schrage, research fellow at the MIT Initiative on the Digital



9%

Our organization already has leaders with the skills we need to thrive in the digital economy.



12%

Our organization's leaders have the right mindset to embrace the changes we need to make to thrive in the digital economy.



13%

Our organization is ready to compete in the digital economy.

Whereas 82% of respondents say their companies need digitally savvy leaders, only 40% believe that their organizations are building robust leadership pipelines.

Economy, observes that traditional norms around how top executives should communicate with their people are shifting more quickly than many leaders recognize. Schrage recounts his exchange with the CEO of a large German company several years back whose speechwriter was blogging on his behalf: “I told him if he really wanted to establish a digital imprint on his organization and change the culture, he'd better be advised to comment on other people's blogs, posts, and wikis. You link. You participate in FAQs. You respond. Have digital conversations — show that you are living in the business, not just above it.”

Human-capital blind spots exist when a company's talent policies and practices reinforce outdated hiring and promotion practices. “When my last company first launched, we thought we knew how to attract millennials and Gen Z's,” says Brian Kardon, chief marketing officer at InVision, a digital product design platform. “It took me a while to understand

CASE STUDY 1: DODGING BLIND SPOTS AT THE FUNG GROUP

Li & Fung, the Hong Kong-headquartered flagship brand of the Fung Group, operates an extensive global supply chain network, with more than 17,000 people in more than 230 offices and distribution centers across 40 different markets. The company, which was founded more than 100 years ago, plays a key role in the global sourcing, supply chain, and logistics of apparel, accessories, and footwear, among other consumer products. Through its network of manufacturing partners, Li & Fung orchestrates the supply chain for major retailers and brands globally. Despite its success, or because of it, the Fung Group's leaders in recent years have had to address strategic, cultural, human-capital, and personal blind spots.

Strategic. "In the past 40 years, our whole supply chain was optimized for cost. Today, most customers want their supply chains optimized for speed," states Spencer Fung, group CEO of Li & Fung. The company's strategy made it slow to respond to a changing environment, but now Li & Fung is investing heavily in digital technologies, upgrading its software capabilities, and creating partnerships with companies

in the digital design, development, and manufacturing space to turbocharge its speed-to-market capabilities.

Cultural. Even though it is publicly traded, Li & Fung had operated more like a family-run enterprise, with decision-making centralized at the very top of the business. However, that is changing. Spencer Fung has introduced many initiatives that are encouraging innovation and experimentation. For example, the Fung Group's leadership development center, the Fung Academy, has used The Kitchen, a crowdsourcing platform to enable intrapreneurship; more than 4,800 colleagues from 30 countries have collaborated on more than 1,200 improvement ideas since its launch in 2016. The academy also runs hackathons to spur rapid prototyping ideas and encourage its employees and local ecosystem partners to embrace speed and experimentation.

Human capital. For many decades, Li & Fung was run as a patriarchal company, with leadership and employees remaining fiercely loyal to its founders. In most respects, it was, by human-capital standards, very

much a Chinese company. But today the Fung Group recruits its future leaders from all over the world and has created many deep and meaningful partnerships with leading universities such as MIT Sloan School of Management, Stanford University, and Harvard Business School. The Fung Academy runs development programs for future leaders from many different countries and has created a series of innovation initiatives with Singularity University.

Personal. When Spencer Fung became group CEO of Li & Fung in 2014, he believed he would be a steward for the business his family had built over four generations. However, shortly into his tenure, he realized that the company needed to transform to remain competitive, and so he needed to be a transformation champion, not a steward. After changing his perception of his role as a leader in the company, Fung took on the challenge with the spirit and enthusiasm of an entrepreneur. He became fond of saying, "If we don't learn to act as fast as a startup, we are going to be dead."

that I was more old-world than I had thought. I knew the desk phone was dead, but it turns out the desk itself is dead! Our people expect the same tools and environment they either have at home or had at college. If they do their work from a sofa or beanbag at home, they want to work like that here. We get that now, and frankly it works for all of us"

"Let's look at how people really get promoted, and who gets promoted," states Patty McCord, former chief talent officer at Netflix. "Let's look at who we really invest in. Are we hiring and promoting the same kinds of people who helped get us into trouble

in the first place? There has to be a new path to leadership in most organizations. And that path should be available to everybody."

Personal blind spots exist when leaders deliberately or by default surround themselves with colleagues who reinforce and enable old-world thinking. Nisa Leung, managing partner of Qiming Venture Partners, a Chinese venture capital company with \$4.3 billion in assets, looks for entrepreneurs who have not only good ideas and discipline, but also "the humility to know what they don't know. They recruit, very quickly, team members with different perspectives."

Perspective is important, but so are new skills. “All leaders need to be more technologically savvy,” states Arthur Yeung, senior management adviser to Tencent Group and visiting professor of management at China Europe International Business School. “I come from HR, and I have been a deep specialist in that area. But today at Tencent, most of the important conversations center around technology. If I am going to be a trusted adviser to the top management team, I need to be in technology conversations. I need to go back and learn my ABCs: AI, big data, and cloud.”

3. Embedded Tensions Threaten Trust and Create Cultural Inertia

Many interviewed leaders expressed concern that they might lose the trust of their employees due to a group of tensions and trade-offs that emerge directly from the new world of work.

We repeatedly heard, for instance, that speed is the new currency in the digital economy, but several interviewed leaders cautioned that speed brings trade-offs. Some pointed out that big strategic mistakes and cultural miscues could occur if leaders are not thoughtful and deliberate at crucial moments in a company’s development. Others said that accelerating the pace of operations can make it difficult to maintain the meaningful relationships that are essential to sustaining a fast pace over time. As Chin Yin Ong, head of people at Grab, a Singapore-based technology company, observes: “Speed is the main currency of digital business models, but with everything moving in hyper-speed, people may feel they have lost touch with building personal relationships. We need to balance the pace of business and cultivating networks to achieve the best outcomes.”

These are just a few of the tensions that create challenges and leave leaders with many dilemmas. Where do they make their investments — is it purpose or profits, speed or deliberateness, digitalization or personalization? Failure to confront these dilemmas can keep organizations stuck in a debilitating sense of inertia, which can deteriorate into cynicism and a deepening sense of mistrust.

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— Arthur Yeung, senior management adviser, Tencent Group

Great leaders today are addressing these tensions head-on with a simple remedy: They ask for help. They trust that their teams will be motivated when asked to contribute their ideas on how to reconcile these and other tensions that confront their organizations. They have the humility to express transparently and authentically that together, as a community of leaders, they will put these issues into the proper perspective.

Charting a New Course: A Leadership Playbook That’s Built for the Times

Comments on leadership by Dan Shapero, vice president of global solutions at LinkedIn, reflect the sentiments we heard from many of those we interviewed:

What makes a great leader in this new economy? In a way, it boils down to a few things: Do they build great teams? Do they understand the implications of technology on the business? Are they able to adapt to the speed at which business is happening? Can they operate at a high level and a low level simultaneously? And do they have the ability to build trust across the organization to get things done?

In other words: Great leaders use a new playbook. They artfully introduce new leadership approaches that particularly appeal to a new generation of employees while honoring the time-tested behaviors

FIGURE 3: ERODING, ENDURING, AND EMERGING LEADERSHIP BEHAVIORS

Our research identified a series of leadership behaviors as eroding, enduring, and emerging.

Eroding	Enduring	Emerging
Asks for permission	Creates a clear vision	Is purpose-driven
Has no-exception protocols	Focuses on performance	Nurtures passion
Reinforces command and control	Maintains a profit orientation	Makes data-driven decisions
Manages top-down	Is customer-centric	Demonstrates authenticity
Avoids transparency	Leads by example	Demonstrates empathy
Micromanages	Demonstrates ethics and integrity	Employs an inclusive approach
Creates rigid long-term plans	Takes risks	Shows humility
Takes a one-size-fits-all approach	Leads change	Works across boundaries

and attributes that serve to inspire trust, build a sense of community, and motivate employees to improve performance.

But how can more companies get there? What new, emerging leadership behaviors need to be adopted in order for companies to thrive in the digital economy? How do these behaviors mesh with those attributes that simply work, no matter the times, circumstances, or cultural considerations?

For the answers to these questions, we asked leaders three simple questions:

1. What leadership behaviors were considered effective in your organization in the past but are now considered detrimental, and why?
2. What behaviors might have been under the radar as recently as five years ago but are now considered highly important for a leader to be considered effective, and why?
3. What leadership behaviors or attributes have always been considered important to your organization, are still important today, and will be important forever, and why?

From the survey results and executive interviews, we discerned that the value of several specific leadership behaviors was *eroding*. We found a clear consensus that the value of some leadership behaviors, such as having integrity and ethics, was *enduring*. Other behaviors had gained new emphasis and new value; their value was *emerging*. Interviewees cited the need to build core competencies in emerging behaviors, such as expressing empathy, and avoid investing in eroding behaviors, such as micromanaging. Collectively, our findings suggest that the most advanced leadership teams are committed to identifying these 3E's (eroding, enduring, and emerging leadership behaviors) in their organizations. (See Figure 3 for a partial list.) These leaders then look to strengthen emerging and enduring leadership attributes and shed behaviors that are eroding in value.

Eroding Behaviors

Debjani Ghosh, president of the India-based software and services companies trade association NASSCOM, notes: “The idea of top-down leadership is a thing of the past, or should be anyway. It’s not what people are looking for. Leadership needs to be democratized. Decision-making has to be

CASE STUDY 2: GRAPPLING WITH CULTURAL TRANSFORMATION AT ROYAL PHILIPS

When Royal Philips was founded in 1891, the company's main business was manufacturing light bulbs. Now it's one of the world's leading health care technology companies. How did Philips make this transition? The answer: by realizing that change is the only constant and that companies can only ensure their sustained relevance by reinventing themselves regularly. The company defined new business models and ownership structures for former landmark businesses such as lighting, radio reception devices, radios, televisions, CDs, and DVD technology, and entered new markets such as population health management, among others.

At the beginning of the 21st century, however, leaders at Philips focused on a higher ambition: improving the health and well-being of people around the world. By linking its mission, vision, and strategy with the United Nations' sustainable development goals (aimed at addressing society's major challenges), the leadership of the company felt it could best secure the company's long-term relevance and success. The most recent portfolio innovation was the spinoff of the company's iconic lighting division as a separate company, Signify, in 2018.

An interview with Ronald de Jong, a member of the executive committee at Royal Philips, identified several trade-offs — or, more precisely, cultural tensions — that have to be addressed

in view of the company's new strategic direction. These four tensions illustrate the execution challenge facing virtually all large legacy companies in the digital economy.

Digitization and humanization.

"Most companies today thrive on data, metrics, facts, figures, and analysis," de Jong says. "Increasingly, challenges are being approached as rational and analytical problems to be resolved, more and more by using computer-aided decision support using smart algorithms and artificial intelligence. But there is a risk that we will experience the 'dehumanization' of the corporate enterprise. We must constantly remember how important the human factor is to building great teams, to working well with our customers, and to creating amazing organizations. Being cognizant of the psychodynamics of change and transformation are vital to a company's long-term success."

Speed, focus, deliberateness, and integration. "In today's fast-changing world, there is a bias to action as speed increasingly becomes a source of competitive advantage. This leads to a push to develop a razorlike focus on the speed of our decision-making, and disciplined execution," de Jong notes. "But, at the same time, we need to be reflective and thoughtful — learn from past experiences and consider how things fit together, as well as how decisions impact the

larger ecosystem of stakeholders. If we fail to do this, we run the risk of becoming very efficient at executing the wrong strategy."

Analytics and intuition. De Jong advocates balancing Philips's technological focus: "We need to build and strengthen the levels of digital savviness at Philips, because we are a scientific, fact-based engineering culture. But at the end of the day, this great organization is led by people — people who care about improving the health and welfare of people around the world. We must also cultivate leaders who have developed a powerful sense of intuition about what might be the right thing to do for all stakeholders. After all, isn't intuition the result of accumulated experience and therefore a powerful source of wisdom that should complement facts, data, and analysis?"

Purpose and profits. "We have to focus heavily on making money and delivering strong returns for our shareholders, no doubt," de Jong adds. "But we also have an obligation to society and to our many stakeholders to use our technologies and incredible resources to make positive change in this world. We need to pay attention to creating sustained value for all stakeholders. That brings great inspiration and motivation to our people — they derive a strong sense of meaning from Philips having a powerful and positive purpose."

more distributed so that every person feels it is his or her responsibility to lead, because that is what will lead to speed, which is so important for business success today.”

Hariolf Wenzler, former head of marketing for EMEA at the law firm Baker McKenzie, adds another example of an eroding leadership practice. “In a law firm, becoming partner used to be the only goal for people from a career perspective,” he says. “But now, it’s important to inspire people. Our lawyers are creative people with multiple goals in their lives; dangling partnership in front of people isn’t everything.”

Enduring Behaviors

Some time-tested leadership attributes and behaviors — ethics, trust, and integrity among them — are still viewed as critical in the new leadership playbook. Let’s take one enduring behavior as an example. Our survey results showed that the most important behavior in leading teams is, by a wide margin, trust. (See Figure 4.) Tencent’s Yeung put it

this way: “When we think about the digital economy, we sometimes think that everything has to be new or revolutionary. But in the digital world, things like trust and integrity become even more important. Technology has become such a powerful force and can improve our world so much, but without trust and integrity it can also do lots of damage to society, so we must be responsible with this power. That’s why Tencent’s new mission statement is ‘Technology for good.’”

Emerging Behaviors

Just as some leadership behaviors are diminishing in importance, other behaviors are becoming more critical to success. As noted earlier, 82% of survey respondents and virtually all of those interviewed indicated that digital savviness is a nonnegotiable leadership skill required for the future. This is a perfect example of an emerging attribute, because digital savviness would not have appeared in many companies’ leadership frameworks as recently as five years ago. “We obviously need people with strong analytical skills,” says Anne Benedict, chief human resources officer at the software company Infor. “But we want those people to be able to interpret massive amounts of data. We realize we need to solve large problems together as a team. We also want people who are great at forming and implementing all kinds of networks and relationships to help us solve our customers’ needs.”

Virtually all interviewees touted the growing importance of collaboration skills to achieve operational excellence. Lori Beer, global CIO of JPMorgan Chase, had this to say about valuing collaboration and mastering relationships: “We need to collaborate effectively not only with colleagues inside the bank, but with our customers and other partners in our ecosystem. That’s an important way we’re able to deliver solutions and end-to-end customer experiences.”

What’s more, during our focus-group sessions with next-gen leaders, trust once again was highly valued. People want to trust their leaders and have their leaders trust them. Trust enables individuals and teams to be more willing to take chances or go the extra

FIGURE 4: TRUST OUTRANKS OTHER LEADERSHIP ATTRIBUTES

When respondents ranked a number of team leader behaviors, three were identified as most important, with building trust topping the list.



mile for their organizations. As William Weldon, retired chairman of the board and CEO of Johnson & Johnson, notes: “At the end of the day, the only thing we have going for us is being honest, being trusted, and being trusting. If we break that bond, it is almost impossible to earn it back.”

Trailblazers Focus on Enduring and Emerging Behaviors

Great leaders in today’s economy understand the power of providing a clear purpose, communicating authentically and with inspiration, building relationships within and among teams, being empathetic with an increasingly diverse workforce, and possessing an investment mentality with both people and the planet. These trailblazing leaders value inventiveness, curiosity, trust, digitally savvy and analytically minded talent, and more. The challenge, then, for prospective trailblazers is to cultivate emerging behaviors, combine them with the enduring ones, and proactively shed behaviors eroding in value. Doing so is integral to crafting a leadership framework that is right for the times.

We have found that executive teams can learn a great deal about themselves and how they would like to develop as leaders by identifying which behaviors are eroding, enduring, and emerging in their organizations. In executive education classes taught by one of the authors, this process leads directly to a productive discussion about which leadership behaviors are aspirational, which behaviors are areas of competence but eroding in value, and which behaviors are enduring in value (and may or may not be areas of competence). This straightforward process — which we call the 3E’s Diagnostic — is a useful team-building exercise and exposes areas for leadership growth, investment, and disinvestment. Leadership teams vary in which skills they value most and most want to value. (See “A Page From the New Leadership Playbook”¹ to access the 3E’s Diagnostic, a benchmarking tool that can help jump-start that discussion.)

From Competency Models to Collective Leadership: How Mindsets Enable Communities of Leaders

Emerging and enduring leadership behaviors constitute a highly aspirational leadership playbook. Few — if any — leaders are competent across the full set of these attributes.

The primary leadership challenge in the digital economy, however, isn’t simply to adopt a group of behaviors or to achieve a set of competencies. The deeper challenge is to develop a new mindset that anchors, informs, and advances these behaviors. Mindsets are mental operating systems that guide behaviors. Behavior is a function of mindset. Leaders need to change their attitudes and beliefs — their mindsets — about what leadership looks and feels like, if they want to produce behavior change that lasts over time. “Organizations need to completely rethink what they are about and what it means to lead,” McCord says. “It’s not about one person or even those only at the top. In today’s world, everyone has to be a leader — we have to think of ourselves as members of a leadership community. It’s not just something we talk about. It’s who we are.”

We identified four specific mindsets that represent the hallmarks of great leadership in the digital economy. These mindsets reflect the principles, values, and norms of trailblazing leaders. Leaders we interviewed expressed these mindsets in clear, declarative, and descriptive statements of who they are,

The primary leadership challenge in the digital economy isn’t simply to adopt a group of behaviors or to achieve a set of competencies.

FIGURE 5: FOUR KEY MINDSETS

Adopting these four mindsets positions leaders for success in the digital economy.



Producers

- Are obsessed with customers
- Are digitally savvy
- Make disciplined decisions
- Excel at executing



Investors

- Pursue a higher purpose
- Operate sustainably
- Benefit the community
- Develop continuously



Connectors

- Create trusted partnerships
- Build relationships
- Develop networks
- Create a sense of belonging



Explorers

- Are incurably curious
- Operate at the edge of chaos
- Test, try, learn, repeat
- Seek broad input

what they stand for, what they value, and how they will behave.

Trailblazing leadership teams from companies like HubSpot, LinkedIn, and Netflix express these mindsets when discussing their intent to form powerful communities of engaged leaders who are customer obsessed, incurably curious, committed to purpose and planet, and masters of connectivity, networks, and relationships.

Developing and embracing these mindsets requires a complete reimagining of what it means to lead in the digital economy. These mindsets make it possible for communities to be bound together by a shared purpose. We emphasize leadership mindsets not to minimize skills or behaviors, but because we found clear evidence that pathological legacy leader-

ship mindsets undermine leaders' preparedness and effectiveness. Talking about being innovative or resilient, for example, doesn't get the job done. Taking action does.

The following sections describe the four key mindsets. (See Figure 5.)

Producer Mindset

"I would insist that anybody who wasn't numeric on my team develop those skills," says Ilene Gordon, retired chairman, president, and CEO of global ingredients solutions company Ingredion. "We come together to solve big problems for our customers. If you don't have the analytical capability to identify the most important problems, then we'll be of less value to them. With that in mind, I also want to make sure that our people have the perspective to see beyond the numbers — to understand what the numbers mean."

The producer mindset combines a focus on customers with a focus on analytics, digital savviness, execution, and outcomes. Producers use analytics to accelerate innovation to address shifts in customer preferences and improve customer and user experiences.

"When I was in business school at Sloan, the mantra was that your product needed to be 10 times better than the competition," says HubSpot's Halligan. "That made sense then, but today the new mantra is that your customers' experience needs to be 10 times better. Companies need to be clear on just what it is that makes them special and execute along those dimensions. That means working in teams to get the big things done — not just for the team's objectives, but for the enterprise's objective to create a world-class customer experience."

Fashion's traditional retail model, for instance, stood unchanged for many years, but disruptions to the industry have put a new premium on speed and customer experience. Roger Young, chief human resources officer of Li & Fung, recalls the old model, in which designers showed their work on the runways of Paris and New York, setting in motion a long

supply-chain process that resulted in retailers selling similar, less expensive designs to the consumer market many months later. But now, when a celebrity like Taylor Swift wears something out one night, we can count on photographs of her appearing all over social media. Her young fans want to look like their fashion role model, Young says, and “they want that on the shelves immediately.”

Today, a much different process is set in motion: Designers create a digital, rather than physical, sample inspired by the latest trends that is put through the supply chain within a matter of weeks. As Young observes, “The democratization of information and the advent of social media have brought a real focus around continued innovation to be able to give consumers what they want — and fast.”

Investor Mindset

Leaders with an investor mindset pursue a higher purpose beyond shareholder returns.² They are dedicated to growth, but in a sustainable fashion. They care about the communities in which they operate and are intent on improving quality of life. They care about the welfare of their employees and invest in safe working conditions. Their investment mentality leads them to deepen their commitments to, and understanding of, their customers; they don’t just look at customers as streams of revenue. They pay close attention to not only what products they are selling or services they are offering, but also why they exist as enterprises. They are in the game for the long run, so they are deliberate about the big bets, even though they move with speed and agility on a daily basis. When it matters to the planet, communities, and the welfare of employees and customers, they take their time to get things right. Cherie Nursalim, vice chairman of GITI Group, a diversified business conglomerate in Asia, offers this description of the investor mindset: “Whether we call it mission-driven, purpose-driven, or even a sense of shared values, to me it’s about believing in ourselves as a business that can partake in and cocreate an ecosystem for solving social, ecological, or spiritual divides. At Kura Kura Bali, an eco-development project we are leading, we encourage our team to apply systems thinking and

Theory U [change management principles] to cultivate an open mind, open heart, and open will — and it is inspirational for all of us, but especially for our younger people.”

Former PepsiCo chairman and CEO Steve Reinemund makes a similar point: “The truly great leaders have motivating, purpose-driven visions,” he observes. And Cranfield University School of Management professor emeritus David Grayson adds that it’s critical for leaders to help their organizations define their broad purpose — “something that is an authentic and inspiring explanation of how the business creates value both for itself and for society simultaneously over the long term.”

To Susan Sobott, former president of American Express Global Commercial Services, having an investor mentality means focusing on the human impact:

When I shared our financial goals with the team, I struggled. Financial goals were pretty much all that mattered. But for me, they felt empty, because I wanted to align purpose, principles, and profits. Yet I found myself talking about achieving a 15% growth rate in revenues or 10% growth in profits or a 20% reduction in costs. I wasn’t motivated by just a set of numbers, and I found it hard to believe the team would be. So, I began framing the financial goals as the outcome. I redirected our attention to how we could change the lives of a million customers through our work as a team to help our customers thrive. All of a sudden, I, myself, was sparked, which was contagious. The team lit up with pride, having a sense of determination through a clear intention. Motivation and creativity grew, which made hitting the numbers easier.

Investing in a wide range of talent, not just high performers, was also a consistent theme throughout the interviews. Marjorie Yang, chairman of textile and apparel manufacturer Esquel Group in Hong Kong, shares this perspective. “Many of our employees don’t have a formal education,” she says. “Without further training or education, their career potential

will be very limited. But we are investing in them, especially in helping them become more digitally savvy. We take every person in the company who wants to be involved through coding education, and we've invented a fun way that they can develop apps they can share with their kids to show them they are digital hotshots! It is very motivational for our employees to know we are invested in their futures."

Connector Mindset

In an increasingly connected world, mastery of relationships, partnerships, and networks is a new currency that drives organizational effectiveness. "If leaders do not master collaborative relationships, both inside and outside the company, it can limit production of the outcomes needed to win our customers' business," states JPMorgan Chase's Beer. Leadership teams with a connector mindset get this. It's how they operate. This shift — regularly bringing together diverse stakeholders to achieve a shared purpose, often on a short time frame — has tremendous implications for leadership. With more diverse interests, spread across individuals, functions, companies, geography, and industries, the challenge of aligning interests becomes more complex and more urgent. "It is so important to have a diversity of voices at the table," states John Tyson, chairman of the board of Tyson Foods. "We try to bring a diversity of skill sets, but more important, a diversity of perspectives. That helps us better solve customers' problems, which in the end is why we are here."

In the digital world, having a connector mindset takes on a whole new level of importance, says MIT's Schrage:

Let's say you are in a business that is rapidly migrating from an emphasis on products to platforms. You are likely doing so in an ecosystem environment — a complex array of partnerships with users, customers, and suppliers. You might even partner periodically with competitors when mutual benefit overshadows the core rivalry. Network effects are key — facilitating a process in which users are creating value for other

users. This approach flies in the face of the more traditional view of creating strategic advantage, which overwhelmingly focuses attention on optimizing organizational capabilities to win, rather than optimizing the efficacy of interactions among users to create more valuable communities.

Explorer Mindset

"Leaders have to be extremely open to change and extremely flexible in different situations," says Erik Gatenholm, cofounder and CEO of Cellink, a public bioprinting company that enables researchers to 3D-print organs and tissues through its offering of disruptive printers and ink. "It's a matter of survival of the fittest. Your organization is going to go through a lot of different change cycles, and if you're not open to that, then you are going to be a dinosaur within a year."

Explorers are curious and creative, and they operate well in ambiguous situations. They engage in continuous experimentation and learn by listening to many, and varied, voices. Organizations whose leaders have an explorer mindset often have cultural norms that tolerate, and indeed encourage, failure, reverse mentoring, and a deep curiosity about how the forces of digitalization are reshaping the competitive environment. David Schmittlein, the John C. Head III Dean and professor of marketing at the MIT Sloan School of Management, says, "Great leadership teams in the new economy have a deep and restless curiosity. They are curious not only about driving customer and user community value, but about clarifying and pursuing their organizations' social value as well. They ask themselves, 'What do we offer that the world actually needs?' This is all about crafting and articulating your leadership narrative as a team — that we will be a community of colleagues that pursues continuous invention, and that we will be intentional about it through our actions."

Explorers are intent upon building amazing communities. They do so in a variety of ways and over an extended period of time. One of the most effective tools they have in doing so, per Schmittlein's point,

CASE STUDY 3: REIMAGINING LEADERSHIP AT RBC

When Dave McKay became CEO of Royal Bank of Canada (RBC) in 2014, things were going very well for the Toronto-based global financial institution. It was the world's 14th largest bank by market capitalization and held top positions in its home country in consumer lending, business loans, business deposits, and long-term mutual funds. McKay, however, was worried that RBC, which was founded in 1864 and has a rich legacy in Canada, had become complacent and set in its ways, relying on an old method of doing business that would not serve it well going into an uncertain future.

Consumers' banking behaviors were changing rapidly and radically, and so accordingly were their expectations of their financial institutions. China's emergence as an economic powerhouse was altering and intensifying the competitive landscape. RBC's customer base and its employees were becoming increasingly diverse. Not least, digitalization, in addition to redefining how banking got done, was enabling well-capitalized upstarts to enter the marketplace while also helping traditional competitors, aided by emerging technologies, to up their game.

While the CEO knew RBC had to make a shift to prepare for the future, there remained a legacy focused on "running a tight ship," McKay says. "I had a group of leaders who didn't want to set bold objectives for fear of failure. That wasn't the culture."

To transform that culture, RBC invited its 80,000-plus employees worldwide to participate in an online vision and

values jam to discuss and debate the organization's guiding principles, core values, and overall purpose.

With the foundation set, McKay then set out to align the corporate culture with the newly articulated vision and purpose. He enlisted a core team of senior leaders in 2016 and 2017 to establish a new leadership model that focuses on the behaviors critical to the bank's future success, as well as a performance management and development system that reinforces these behaviors in employees.

McKay was acutely aware that much of the change at RBC had to come from the C-suite, with leaders role-modeling the behaviors they hoped to see throughout the organization. "We want leaders who set bolder aspirations for their teams and are willing to fail publicly and take some personal risk," McKay says.

RBC's leadership model encouraged people to be open to new ways of creating value, reduce complexity, and get to decisions faster. It aimed to make the bank less hierarchical in the way people worked, in part by inviting employees to share ideas with their boss's boss — in effect acknowledging that in an ecosystem world, leaders must recognize they alone don't have all the answers. "The strong, confident, authoritarian CEO — that worked to a large degree in the last 40 years, but that doesn't work anymore," McKay observes. "You're going to move to a culture of openness, partnership-building, and authenticity."

The organization became more team-based and agile. Reimagining the hierarchical structure led the company to discover value in places it hadn't

thought to look. The employee makeup became more inclusive and diverse.

Transforming RBC into a purpose-driven company has ignited the passion of its employees. "It's not just about your product and service and winning and losing," McKay says. "So many of our employees are engaged by the mission of helping the community. We're only as strong as our clients, and our clients are only as strong as the communities where they live and work. Therefore, we have a vested interest in the health and success of that community."

By all measures, RBC's revamped leadership model has been a success, creating the conditions for the enterprise's sustainable growth. The company's strong financial performance has generated above-average shareholder returns. Employee engagement is at an all-time high, and RBC scores high in customer satisfaction and loyalty.

RBC's transformation holds lessons for today's corporate leaders who, by their own acknowledgement, do not feel that their companies are prepared to overcome these complex hurdles. McKay's leadership team exemplifies all four mindsets in our leadership framework. They invested in employees, customers, and communities (*investor*). They became less rigid, more open, and curious (*explorer*). They encouraged more collaboration, inviting more participation in strategic decisions by a wide array of workers (*connector*). And they did this all while improving their digital skill sets and paying careful attention to results (*producer*).

is shaping and articulating powerful narratives of what's possible. They share stories about what great leadership looks and feels like when individuals come together as teams, and teams come together as communities, with a unifying sense of purpose and collective ambition.

Recommendations

Across industries, leaders are reassessing the merits of long-held rules about power and hierarchies. They recognize the urgent need for a new playbook for serving as an effective leader. Trailblazing leaders see the potential of a new path, and they combine that vision with the courage to take a stand to bring about change. They understand that people don't want to be just employees; they want to be active citizens in amazing workplace communities that are doing their best to change the world for the better. Learning how to lead this citizenry is critical for today's incumbent leaders, particularly for those in large, complex organizations with a lot of rules and processes. In fact, embracing the leader's new role in the digital age is more crucial than ever as more organizations realize that their current playbooks are seriously out of date.

What can you do to make your organization an amazing community of leaders? We have created a short list of recommendations to help you and your organization get started.

1. **Articulate a powerful leadership narrative** that courageously lays out what you believe is important for leading in the digital economy. Don't mince words, but don't use words alone. Be an authentic role model for the new leadership. A forceful, clear leadership narrative will send a message that it is high time to bring about change. Promote a culture that identifies future leaders early in their careers: Signal which people with which behaviors and mindsets best reflect the values expressed in your leadership narrative.
2. **Build communities of leaders** by empowering employees at all levels. Shed the baggage of dense hierarchies. Understand that your employees value and respect your ability to connect with them far more than your title. Make transparency and trust the cornerstone of your culture to unleash the energy that exists at every level and in every corner of your organization. It's not about what you have done in the past but what can be done together in the future.
3. **Align your talent, leadership, and business strategies.** Identify the emerging and enduring behaviors that are most critical for your leadership teams. Determine the extent to which your leaders embody the four mindsets. Hire and promote people who embrace the skills and mindsets you value most. Exit those who don't. Identify and fix the blind spots that might block you from building an effective cadre of next-gen leaders. Ensure that your talent and business strategies are closely aligned. This will be a key differentiator in your ability to attract, engage, develop, and retain talent.
4. **Don't just embrace inclusion and diversity — demand it.** Trailblazing leaders come in all shapes and sizes. The research is clear that diverse teams perform better, so stop talking about diversity and make it happen. Use data and insights to identify where diversity is lost and how to preserve it. Bake diversity metrics into your scorecards. Reward inclusion and diversity champions. Do it by role-modeling your support for diversity and inclusion.

Conclusion

What is the job of the leader in this new world of work? This report aims to answer that question.

As the gig economy takes shape, the role of leaders will shift from managing talent to inspiring and engaging people as members of a community of leaders.

Leaders need to be prepared for this difficult shift, which is replete with blind spots and cultural tensions. Identifying and addressing these challenges are substantial undertakings and can be achieved only by reimagining what it takes to be a leader.

Leading in today's world is about creating conditions for success so that everyone can contribute their best efforts to a common cause. This goal of building a community of leaders relies on four components: enhancing customer value, serving a higher purpose, strengthening connectivity, and fostering creativity and continuous innovation.

Creating the conditions for success starts with setting the tone and developing the mindsets that constitute the foundation of the new leadership playbook. Successful leaders are the ones who don't just see what the future might bring; they create it. They are the ones who don't just talk about the power of purpose; they live it. They are the ones who don't just embrace inclusion and diversity; they measure and reward it. They are the ones who have learned how to lead teams and companies with the courage, freedom, and joy that comes from knowing that they are building new and amazing communities of leaders. They are the ones who have unleashed the energy in their organizations by creating communities of leaders who are producers, investors, connectors, and explorers.

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REFERENCES

1. "A Page From the New Leadership Playbook," a resource available from *MIT Sloan Management Review*, is available at <https://sloanreview.mit.edu/interactive-a-page-from-the-new-leadership-playbook>.
2. Top executives increasingly recognize the importance of this mindset. For example, in August 2019, the Business Roundtable, a group composed of CEOs of leading U.S. companies, issued a statement acknowledging that increasing shareholder value is not the sole purpose of a corporation.

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