

Leadership

What Really Counts in
Digital Leadership?
A New Model For
Digital Competencies

Chapter 2 | Organization

By Job Voorhoeve



Amrop

Leaders For What's Next

What Really Counts in Digital Leadership?

A New Model For Digital Competencies

By Job Voorhoeve

Chapter 2 | Organization

Background

The quest for digitization demands exceptional leaders, bridgebuilders fluent not just in digital engineering, but in the related dimensions of strategy, culture and organization.

This leads to a big question for non-tech organizations: defining a clear profile for CIO's, CDO's and their equivalents. At the highest level, what is the purpose of digitization? Serving which organizational domains? How can we drill all of this down into a clear and coherent set of competencies?

About the ADCM

Amrop's Digital Competency Model (ADCM) is a 4-dimensional dashboard with 24 sub-indicators. More than a theoretical model, it is based on hundreds of observations from our interactions with clients and candidates. It also owes much to the rich pool of academic literature sparked by digital transformation.

In 2019, an Amrop Study: 'Digitization on Boards, 3rd Edition', exploring the challenges faced by C-suite digital leaders confirmed the need for a role framework: 41% said they lacked a clear role profile when they joined the organization. And only 18% were assigned a senior mentor or coach.

Navigating the organizational terrain of digitization is an uphill struggle for digital leaders, according to our 2019 study. Almost half report a lack of dynamism and speed (45%).

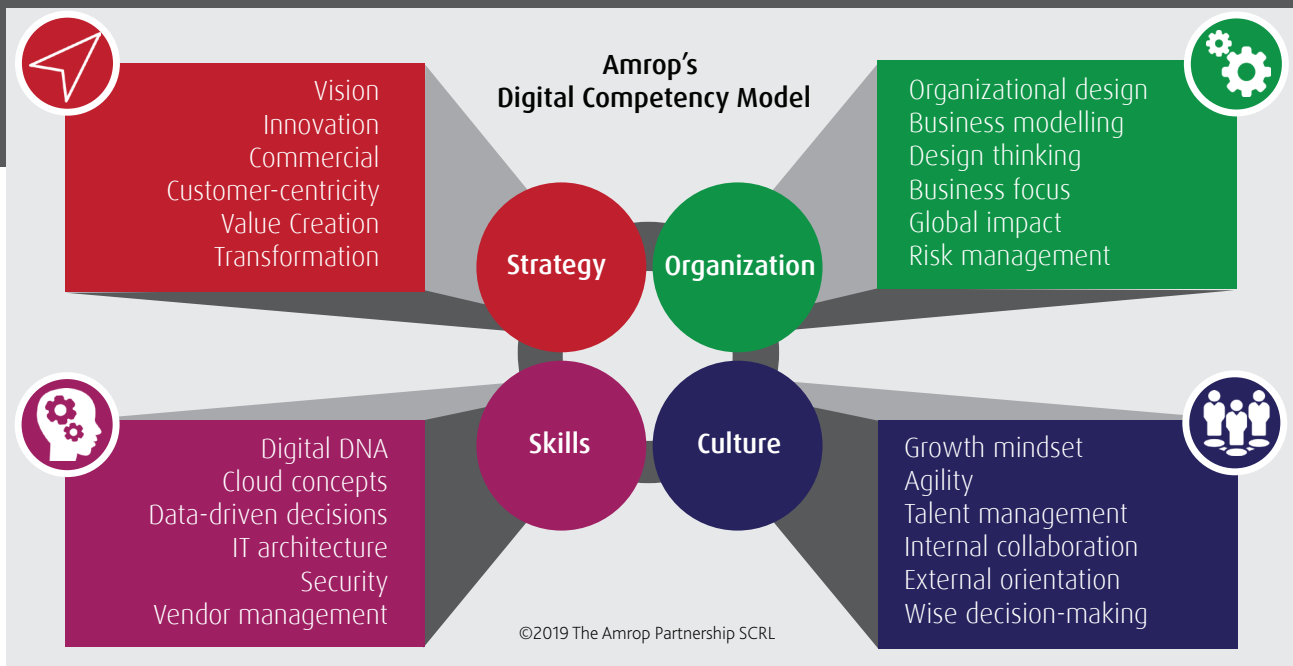
As we outlined, organizational structures are fragmented or over-complex, according to 55% of digital leaders. Around 35% have trouble identifying and uniting internal stakeholders within this confusing architecture.

Making sense of a chicken and egg situation

Of the organizations we surveyed, 38% had a workforce over 10,000. This size creates the perfect storm: structural complexity and quarterly reporting. It's a chicken and egg situation: 37% of digital leaders face questions regarding ROI, whilst 30% lack the resources to deliver it. Sense-making — from executive suite to ground-level operations — will be more important than ever in two areas. First, in setting a digital strategy, as we saw in our last Chapter, and second, in building an organizational architecture that integrates people, platforms and tools.

In this second chapter of our four-part series unpacking Amrop's Digital Competency Model, we zoom in on the Organization Dimension.

The Digital Organization | The 6 Competencies



1

Organization Design

Digital has now arrived at the core of a great many non-tech businesses. This calls for a rethink of organizational design.

The very term '*digital business strategies*' reinforces the idea that digital strategy should transcend technical functionality. Digitization changes the dynamics of doing business. So it should be paired with business strategy, rather than being subordinated to it (Weinrich 2017). As the pilot of an organization's digital strategy, a CIO should ensure that organization design, processes and capabilities, are supportive of it.

Key question:

How confident do I feel in building a digitization infrastructure that fits our organizational structure and needs?

Organization design provides the space to improve digital performance, adjusting a company's structures to allow the insertion of competitive technological advances best placed to fuel competitive advantage.

No matter how creative your organizational strategy, no matter how agile your working culture, digitization can only add value and profit via an organizational framework that creates a fertile terrain for new technologies.

2

Business Modelling

Addressing how a business runs, untangling its logic to make it work for digital innovation, is, we argue, a fundamental CIO competence.

Researchers such as Bouwman et. al (2018), have examined traditional business modelling through a fresh lens: the need to create and capture value through new technology. Their work addresses an ongoing debate: how business modelling innovation should look when a business incorporates tech elements, (especially big data). It proposes that the CIO should be fully involved in the incorporation into a business model of products and services, (or their elimination) changes in market position, or shifts in process management. Or indeed, spearhead the shift.

A good CIO envisions business modelling as a formula. This transforms the engines of a company into a malleable logic that is primed to flex and adapt to digital transformation.

Key question:

How confident am I in designing digital business models that create, deliver and preserve value?

3

Design Thinking

Implementing a digital strategy that is right for the organization requires strong contextual analysis, problem finding and framing, and ideation.

Stakeholders “need their interactions with technologies and other complex systems to be simple, intuitive, and pleasurable” (Kolko 2015). Especially given the rapid rise in complexity of the modern business environment, which digital transformation may well be intensifying.

A CIO who is competent in design thinking resolves ill-defined or ‘wicked’ problems (evolving, with paradoxes, and contradictions). He adopts solution-focused strategies. He uses abductive reasoning (drawing plausible conclusions from his observations). He uses productive reasoning to implement solutions incrementally.

This blend yields a value proposition that enhances the stakeholder experience, even in the most abstract industries.

Key question:

How confident am I in ensuring attractive, user-friendly and feedback-responsive digital platforms?



Kolko refers to the 'design-centric organization' to describe companies who go beyond the norm in design thinking. A CIO with good design thinking doesn't let failure constrain her efforts. She embraces challenges and setbacks, stimulating an iterative process of sketching, designing, re-designing. She transmits a narrative that infuses digital products with a humanizing language.

4

Business Focus

As we saw in our first chapter (Strategy), the CIO has a unique role as Digitization Visionary. Nonetheless, he must always keep in mind the impact of innovation on profitability.

It's vital to maintain business focus in order to bridge organizational strategies and digitization throughout the design and implementation process. Whilst it might seem enough to just understand how the business works, to acknowledge an organization's goals and guidelines, it is not.

A business-focused digital leader will shift traditional management performance beyond simply installing digitization, towards improving a company's entire productivity.

Crawford (2012) proposes three main areas of business-focused leadership:

- 1) communicating to drive results
- 2) managing for business impact
- 3) demonstrating project value to the C-suite.

Crawford's analysis supports the need for the digital leader to possess strong communication skills. The CIO must be able to present himself effectively, using compelling arguments to support the strategic outcomes of his mission.

Always with digitization as a main objective, Crawford argues, the business-focused CIO considers innovation in the light of questions such as: *"have these had the economic impact we were expecting? What was the return on investment? What was the customer impact?"*

These constant points of inquiry allow him to present digital transformation in a way that gives others an inspiring glimpse of the overall business impact digitization could bring.

Key question:

How confident am I in integrating digitization in our business processes and objectives?



5

Global Impact

A CIO sees value and impact as a natural implication of her role. Taking advantage of new technological tools such as data-based products, she “explores ways to develop new market niches, or to transform the company so it can develop smarter products and services.” (Lee et. al 2014). Truly innovative and visionary CIOs go further still, to inspire a global scope of positive outcomes.

Key question:

How confident am I in anticipating and managing the global impact of digitization on our organization?

The CIO represents an avant-garde management layer, capable of nourishing organizational outcomes and structures in a way that embraces global markets and dynamics. Bettina Büchel and Michael Sorell of IMD (2014) advocate an inclusive, diverse way of conducting business, that involves balancing the different cultures that must be adapted to, and global standards. They describe globally-savvy leaders as being capable of identifying emerging markets, spotting opportunities in foreign countries and overcoming cultural difference to boost development. This global mindset is a highly beneficial way of addressing the complexities and asymmetries of the wider world that lies beyond domestic borders.

6

Risk Management

Few argue that the path towards digital innovation is fraught with risk; from cyber-attacks, to users frustrated by design glitches, to ethical issues. Businesses operating along more traditional lines were becoming adept at recognizing and managing risk. But with the rapid advent of digitization, risk management has become a whole new ball game.

Key question:

How confident do I feel in installing processes for anticipating and managing digital risks?

Risk management is closely linked to organization design. It demands access to high-quality data, well-informed, talented staff and greater transparency; in terms of processes that justify (calculated) risks, and as channels to approach risk from a fresh perspective. It needs to be assimilated at the early stages of a digitization initiative, setting the tone at design stage. Prioritizing digital initiatives is critical to minimize any disruption to service delivery.

Equally essential is to build a culture with a ‘digital mindset’, one that includes effective risk management governance, and related frameworks. This ‘digital risk portfolio’, (Deloitte, 2018) will help the organization to anticipate and navigate the specific, potential pitfalls of digital initiatives.



Digital Organization | 4 Pain Points

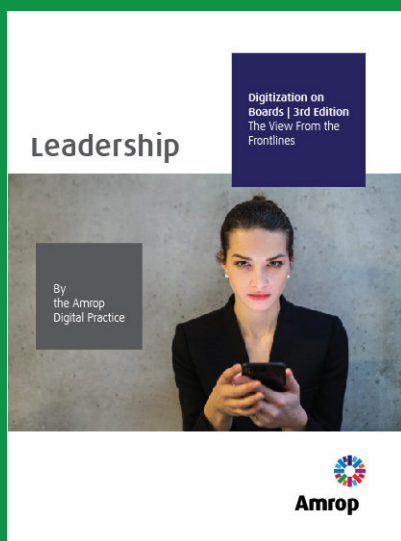
How do digital leaders rate their own competencies?

To test our model and take the temperature of digital leaders concerning their own abilities, we incorporated the ADCM indicators into our 2019 study, inviting digital leaders to self score.

In the Organization dimension, we found 4 indicators in which less than 4 out of 10 digital leaders felt fully confident in their own abilities:

1. Business Modelling
2. Design Thinking
3. Global Impact
4. Risk Management

To find out more, see our report.



Digitization on Boards 3rd Edition The View from the Frontlines.

www.amrop.com/thought_leadership

Editing and Design by Steffi Gande.

About the Author

Job Voorhoeve is a Partner in Amrop's Amsterdam office and Leader of Amrop's global Digital Practice.

Job has worked on the cutting edge of technology and organization management for years. His international experience has taught him the ropes about talent-matching and building multidisciplinary teams. "Transformation requires diversity" says Job. Not only in terms of variety in culture, gender, nationality or character. It also requires diversity within each individual leader.

He has senior experience in executive search in Digital, Cloud, Artificial Intelligence, Sales Executives, Cybersecurity and more.

He holds a Masters degree in International Affairs, Political Science from the University of Amsterdam, The Netherlands and is an IMD Alumnus.



About the Amrop Digital Practice

Amrop's global Digital Practice combines deep sectoral knowledge with local market expertise, backed by global resources and integrated cross border key account management. We have long term partnerships with our clients on the digital transformation journey. Not only in delivering critical assets — the Leaders For What's Next – but in assessing boards and management teams, implementing succession planning and talent management solutions.

- AI/Machine Learning & Big Data Analytics
- Chief Digital Officers (CDO), Chief Information Officers (CIO) and Digital NEDs
- Cyber Information Security Officers (CISO)
- E-Commerce, Sales Executives
- Scale-up, Venture Capital
- Media & Entertainment
- Fintech
- Telco



Amrop

References

- Bouwman, H., Nikou, S., Molina-Castillo, F. J., & de Reuver, M. (2018). The Impact of Digitalization on business models. *Digital Policy, Regulation and Governance*, 20(2), 105-124.
- Büchel, B., & Sorell, M. (2014). *Developing a Global Mindset: The Five Keys to Success*.
- Crawford, D. B. (2012). *Becoming a Business-focused Project Management Leader*. Paper presented at PMI® Global Congress 2012—North America, Vancouver, British Columbia, Canada. Newtown Square, PA: Project Management Institute.
- Majahan, R., Parthasarathy, S., Jain, V., Deloitte, (2018), *Managing Risk in Digital Transformation* Institute of International Finance. McKinsey & Company. (2017). *The Future of Risk Management in the Digital Era*.
- Kolko, J. (2015). *Design Thinking Comes of Age*. Harvard Business Review
- Lee, Y., Madnick, S., Wang, R., Wang, F., & Zhang, H. (2014). *A Cubic Framework for the Chief Data Officer: Succeeding in a World of Big Data*. Working Paper CIS.
- Weinrich, T. (2017). *Reviewing Organizational Design Components for Digital Business Strategy*.

Further Reading

- Amrop. (2017). *Digitization on Boards Report. Second Edition. Are Boards Ready for Digital Disruption?*.
- Bhandari, I. (2017). *The CDO: Helping to Harness the Power of Data - THINK Blog*.
- Cloud Standards Customer Council. (2017). *Practical Guide to Cloud Computing Version 3.0*.
- Dahlström, P., Desmet, D., & Singer, M. (2017). *The seven decisions that matter in a digital transformation: a CEO's guide to reinvention*. Digital McKinsey article (Feb 2017).
- DalleMule, L., & Davenport, T. H. (2017). *What's your data strategy?*. Harvard Business Review, 95(3), 112-121.
- Deloitte. (2012). *Vendor Relationship Management Unlocking value from your outsourcing vendors*.
- Deloitte Digital and Heads! Executive Consultancy. (2015). *Survival through Digital Leadership*.
- Denison, D., Narasimhan, A., & Piskorski, M. (2018). *Designing a high performance organization*.
- Dumeresque, D. (2014). *The chief digital officer: bringing a dynamic approach to digital business*. Strategic Direction, 30(1), 1-3. Dumeresque, D. (2014). *The chief digital officer: bringing a dynamic approach to digital business*. Strategic Direction, 30(1), 1-3.
- England, D. (2016). *A CIO's Guide to Improving Vendor Management*.
- Forløb, S. (2006). *Personal Development Guide*. Cubiks Intellectual. Gino, F., & Staats, B. (2015). *Why organizations don't learn*. Harvard Business Review, 93(11), 110-118.
- Haffke, I. (2017). *The Implications of Digital Business Transformation for Corporate Leadership, the IT Function, and Business-IT Alignment* (Doctoral dissertation, Technische Universität Darmstadt).
- Horlacher, A., & Hess, T. (2016, January). *What does a Chief Digital Officer do? Managerial tasks and roles of a new C-level position in the context of digital transformation*. In 2016 49th Hawaii International Conference on System Sciences (HICSS)(pp. 5126-5135). IEEE.



KANE, G., PALMER, D., PHILLIPS, A., KIRON, D. and BUCKLEY, N. (2017). Achieving Digital Maturity. Adapting your company to a changing world. [online] MIT Sloan Management Review. Kiron, D. (2018). Why Your Company Needs More Collaboration. [online] MIT Sloan Management Review.

MacCormack, A., Lagerstrom, R., Dreyfus, D., & Baldwin, C. (2015). Building the agile enterprise: IT architecture, modularity and the cost of IT change.

Matt, C., Hess, T., & Benlian, A. (2015). Digital transformation strategies. Business & Information Systems Engineering, 57(5), 339-343.

Neubauer, R., Tarling, A., & Wade, M. (2017). Redefining Leadership for a Digital Age. Global Center for Digital Business Transformation. metaBeratung. CSICO. IMD.

Singh, A., & Hess, T. (2017). How Chief Digital Officers Promote the Digital Transformation of their Companies. MIS Quarterly Executive, 16(1).

Vermeulen, F., & Barkema, H. (2004). HOW FIRMS SHAPE MANAGERS: THE INFLUENCE OF STRATEGY ON TOP MANAGERS' TURNOVER. London Business School.

Wiseman, J. (2017). Lessons from Leading CDOs: A Framework for Better Civic Analytics. Civic Analytics Network, Ash Centre for Democratic Governance and Innovation: Cambridge, MA, USA.



About Amrop

With over 70 offices in all world regions, Amrop is a trusted advisor in Executive Search, Board and Leadership Services. Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

Amrop's mission: shaping sustainable success through inspiring leaders.