Digital resilience for directors

Research suggests that effective leadership accounts for nearly 60% of the advantage "digitally capable" organisations have of over "digitally incapable" organisations.

AUTHOR
CHRISTOPHER VAS, RUSSELL WORDSWORTH, MICHAELA BALZAROVA AND VENKATARAMAN NILAKANT FROM THE UNIVERSITY OF CANTERBURY COLLEGE OF BUSINESS AND LAW

In recent years, a host of digital technologies ranging from traditional web and cloud-based services to more complex machine-learning, augmented reality and additive manufacturing technologies has been transforming the landscape of business.

Nearly 90% of respondents to a global survey of managers and executives conducted by MIT Sloan Management Review and Deloitte predicted that their industries will be disrupted by digital technology to a moderate or great extent in the future. This same study indicated that 80% of digitally mature organisations had clear strategies in place to respond to digital disruption.

The development and execution of such strategies requires effective leadership from company directors and other senior executives.

In New Zealand, a study conducted by a team of researchers at the University of Canterbury (UC) Business School appears to confirm the relationship between leadership and digital capability. The study, focussing on "digital resilience" in large organisations in Australia and New Zealand, aimed to identify factors that influence an organisation's ability to adapt to, and thrive in, a changing digital environment and understand why some organisations are more digitally capable than others.

LEADERSHIP MATTERS

Our previous research on organisational resilience identified effective leadership as vital to responding to disruption. Based on this prior understanding we argue that an organisation's digital capability (ie the extent to which the organisation currently makes use of digital technology) will be
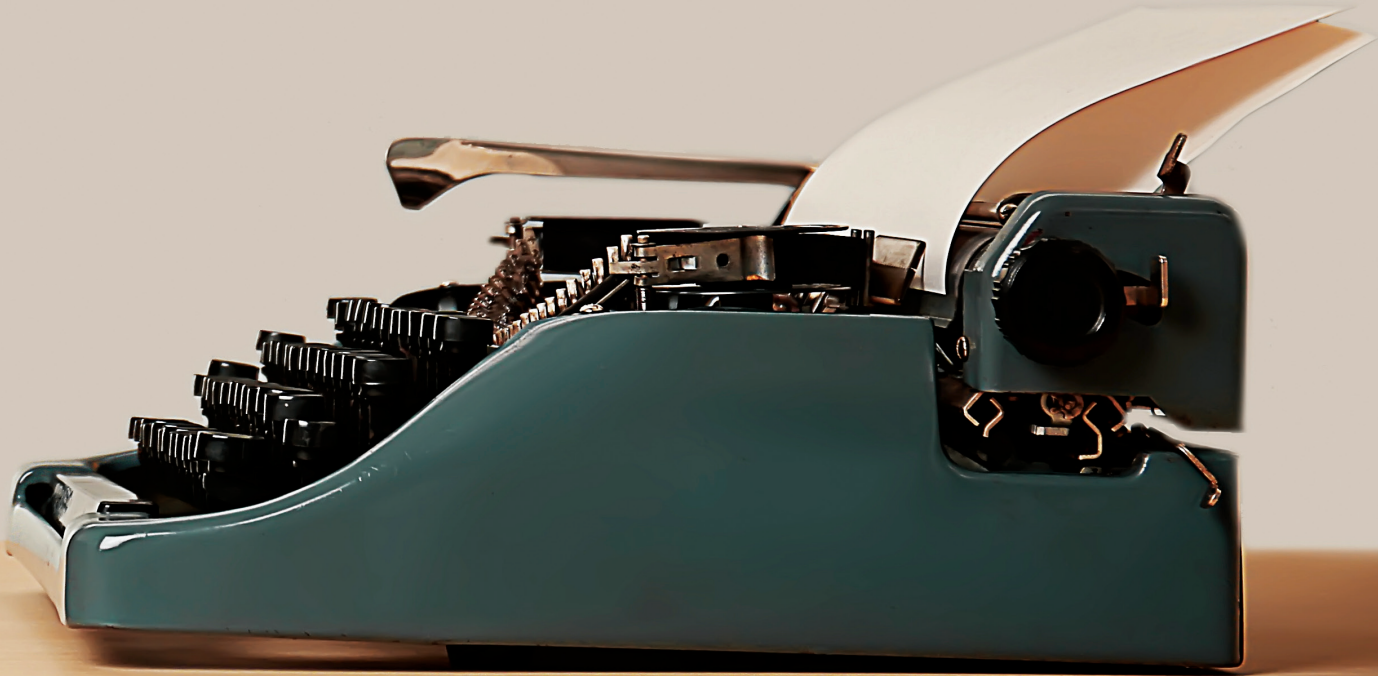
enhanced through effective leadership in combination with a strategic digital orientation.

Data was gathered from a cross-section of 300 large organisations in Australia and New Zealand. Eighty-eight percent of the participants were included middle or senior level managers, with 18% being directors. Key industries that were represented in the study included information media and telecommunications (20.7%), financial and insurance services (12.4%), and manufacturing (12.1%).

> "Our research suggests that responsibility for digital transformation in New Zealand organisation lies firmly with those in leadership positions."

At the macro level, the key research findings reveal that around 60% of organisations used digital technologies to a large or very large extent:

- Only 65% use digital technologies to inform operational decisions.

- Only 62% use digital technologies to understand customers better, market products, add value to existing offerings and provide customer service.

- Much fewer than 60% use digital technologies for automation of core processes, selling products and services, and launching new business models.

For New Zealand, which aspires to become a "digital nation", more has to be done within all New Zealand organisations.

Our research suggests that responsibility for digital transformation in New Zealand organisation lies firmly with those in leadership positions. Early analysis of the data from the study indicates that effective leadership accounts for nearly 60% of the variation between digitally capable and digitally incapable organisations.

Aspects of leadership most strongly correlated with digital capability include skill building and investment in talent, fostering strategic partnerships across organisational silos (particularly with the IT function of the organisation), having clear goals and key performance indicators, and nurturing a mindset of change and inclusion in the organisation.

Given these findings, what can boards do?

DIRECTING FOR ADVANTAGE

A key pillar of governance best practice is for directors to determine purpose, goals, and strategy with a view to long-term sustainability. Given the above findings, two actions are useful for consideration.

Board chairs need to consider the diversity of "digital" skills and perspectives of the directors that come together around the board table. Just as skillsets and experiences in areas of finance, legal, commercial, marketing, international are valued, so should backgrounds and experiences that demonstrate familiarity with digital transformation. Possessing skills relating to web and mobile technologies, data and security, big data, the growing field of the internet of things (IoT) are all important but so is the need to understand how these technologies can have an impact on the company – business model, value chain, customer experiences and even employees and the associated work cultures. For instance, in NZ, MBA programmes incorporate courses relating to digital transformation, data and strategy and innovation and having Directors skill up is a first step.

Establish a digital capability committee at board level. Given where large and small organisations find themselves on the spectrum of digital capability, it is imperative that directors provide leadership and strategically consider the impacts of digital transformation on the longevity of the business. Focus must be placed on enabling aspects that relate to organisational culture, learning orientation, risk-taking, decision making and continued improvement/excellence, and not on individual technologies. The digital transformation journey for organisations is culture change and technology-enabling, not the technology itself, which also underpins the need for disciplined execution of digital strategies.

Large organisations elsewhere in the world are putting in place new executive roles such as chief digital officers increasing the pivot of the organisation to digital.

While directors implementing these actions aid the digital transformation of their relevant organisations, at the national level they will also support the government's ambition of ensuring that future generations inherit a digital nation. This aspiration comes through reviewing the Industry Transformation Plans announced by the government last year where new value-added opportunities are created, productivity is enhanced and NZ exports its solutions to the world. It is no surprise the government has made digital technologies a key priority sector as part of the ITPs. Nevertheless, as directors are well aware, no strategy can come to life without disciplined execution. Hence the need for digital resilience to become a key skill for directors. ⓑ