Leaders for a digital transformation

It can be mission-critical for companies to consider the traits, competencies, and drivers of the talent—in-house and external—that will help create their digital future.
A talent response to a digital revolution.

Across all industries—from consumer goods to health care, manufacturing to financial services—more companies are “going digital.” The revolution of digitization is fundamentally changing the way companies make and sell products as well as reach customers. From capturing “Big Data” insights to creating online platforms for inventory management or customer service, there are significant opportunities—and challenges—for traditional companies. Customer demands are prompting radical overhauls of how business gets done by employing “intuitive interfaces, around-the-clock availability, real-time fulfillment, personalized treatment, global consistency, and zero errors” (Markovitch and Willmott 2014). Those that successfully make the transition are poised to reap competitive advantages, from higher profit margins to faster market share growth. Some will be “true disruptors,” reshaping their industries to their advantage (McKinsey 2015).

Digitization is not just about technology, however. Even access to the best tech doesn’t ensure digital success. More traditional companies must have the right mix of talent to lead and execute a successful transformation. They must combine internal talent determined to be “digitally ready” with select, externally recruited, “born-digital” talent from pure-play Web 2.0 or “internet of things” organizations, or from traditional companies more advanced in digital strategies. As Korn Ferry sees in its work with clients, companies that closely align their talent and business strategies are more likely to perform better, achieve desired objectives, and retain highly engaged, high-performing talent. A successful business strategy for a digital transformation, therefore, requires a comprehensive digitization talent strategy to complete the mission.

“Going digital can be daunting for large companies in more traditional, physical industries…. It demands a high level of coordination and a whole new set of capabilities.”
—Mckinsey & Company (2015)

There’s a big hurdle: Highly experienced digital talent, now capable of leading a transformation or possessing the traits and aptitudes to be digitally ready in the near future, is scarce, and it’s in sky-high demand. Leaders with “digital” or “online” in their title are currently hot commodities.

Compounding the problem: Leaders likely to succeed in driving a digital transformation in a traditional organization may carry a markedly different profile from those who typically thrive in a pure-play, born-digital organization. As Korn Ferry research shows, born-digital executives may be more likely to rise through the expert ranks of pure-play digital firms; they often are narrowly focused in one crucial area. In contrast, executives who succeed in traditional companies tend to be broad based in their experiences and skills, including knowing how to read people and motivate teams. As this comparison shows, digital success is not a “one-size-fits-all” talent proposition.

This paper shows how digitization initiatives must be paired with a comprehensive talent strategy that looks at all aspects of the transformation. Companies must identify digitally ready, in-house talent (some found in surprising places) capable of taking active roles in the transformation. This existing talent possesses skills such as navigating the organization, building relationship networks, and influencing others; these are crucial to fostering buy-in of digitization initiatives. To fill expertise gaps, organizations can strategically recruit external talent with the traits and capabilities to cross over into a traditional environment. This is the essence of a hybrid strategy key to achieving a successful digital transformation.
Digital transformation leaders.

Talent that is born digital versus those who go digital often pursue different roles and professional trajectories. Executives who are digital natives often hold roles that call for deep expertise and are more singularly focused (they dive deep into one project). They differ, too, in their competencies, traits, and drivers (see Figure 1). They tend to be motivated by structure and prefer narrowly defined or single-focus roles requiring depth and specialized knowledge skills, clear objectives, and a higher degree of detail orientation and predictability. In comparison, executives in traditional companies tend to be savvier in influencing others, rely more on lateral influence in their roles, and are far more social and empathetic than are digital executives.

Figure 1: Traits, competencies, drivers among born-digital versus going-digital leaders.
Born-digital executives also tend to be motivated more by independence (working without imposed constraints), while going-digital executives are more often motivated by challenges (learning, growing, and pushing themselves).

Other key differences show up between the two in the “self” and “people” competencies. Born-digital executives tend to be higher in self-oriented competencies, such as adaptability, managing ambiguity, and nimble learning. They resemble in their motivation other professionals with high expertise (Dai and Swisher 2015), and even those who are emotionally intelligent often show lower levels of people-oriented competencies.

In contrast, going-digital executives rank higher in people-oriented competencies, such as interpersonal savvy, collaboration, managing conflict, building teams, communication, persuasion, and inspiring and developing talent. These leaders tend to be strong in building relationships and influencing others—critical capabilities, given the scope of most digitization strategies. In comparing these groups, going-digital executives are 28% more likely to score high in “building collaborative relationships” than their born-digital counterparts; born-digital executives are 20% more likely to score high in “being flexible and adaptable” in comparison to their counterparts.

Executives who are digital natives also show strengths in understanding the business, making the right call, having a strategic mindset, and being open, innovative, and resilient. Theirs is a world of trial and error. It’s easier and faster to test an idea on real users/customers rather than spending days or weeks debating a concept’s validity. Many born-digital executives also say that failing equals learning, and therefore failing fast

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Traits:

- **Cultural dexterity**—combining cultural knowledge, emotional intelligence, and interpersonal skills to achieve results in any cross-cultural context
- **Learning agility**—the ability to apply past lessons to new and first-time situations
- **Emotional intelligence**—reading and relating to others

Competencies:

- **Thought**—understanding the business, making complex decisions, and creating the new and different
- **Results**—taking initiative, managing execution, and focusing on performance
- **People**—building collaborative relationships, optimizing diverse talent, and influencing people
- **Self**—being authentic, open, and flexible and adaptable

Drivers:

- **Challenge**—motivated by achievement in the face of tough obstacles
- **Independence**—prefers to work freely, autonomously, and with limited involvement from others
- **Structure**—prefers process-oriented, structured, and stable work environments
- **Power**—motivated to seek influence, recognition, and increasing levels of responsibility

(Source: Korn Ferry Four Dimensions of Leadership and Talent)
equals learning fast; this is an alien concept in many established companies where quality and incremental, continual improvement is paramount to success.

Given the need for digital expertise and people-oriented influence in organizations, companies likely should adopt a hybrid strategy that combines the strengths of both talent cohorts. This approach also lowers the risk of what can be a difficult dynamic or unhappy fit between an independent-minded born-digital executive and a hierarchical, large company.

Building bench strength.

Talent that’s ready to go digital can be found throughout most traditional companies today. Some of these leaders may have expertise already in digital strategies and applications; others may have strong interests in them. They may vary in their readiness, some immediately capable of helping to lead a digital transformation, and others getting involved in the near term.

Those who are digitally ready tend to thrive in a testing and learning environment with quick cycles of trial and error. They are action oriented and open to new ideas. They possess learning agility. This is a key success trait that Korn Ferry defines as the willingness and ability to take on new and different challenges while applying lessons learned before to new experiences and first-time situations. To complement their digital readiness, internal leaders may need development in leadership skills, exposure to more digital experiences, a broader vision, and capabilities to achieve results through others.

A hybrid strategy that emphasizes organizations’ internal digital readiness also requires a different outlook on the workforce. This view must emphasize all across the organization the importance of tech-savvy talent who are comfortable with change and eager to learn how to do things in new ways. Assessing the capabilities of internal talent can produce significant benefits. As Korn Ferry has found in its work with clients, organizations in the short term can increase their “digital transformation capacity” by identifying and developing internal talent with profiles (determined by assessment) close to the ideal for digital transformation. In the medium term, organizations can improve their “pure digital” capacity by exposing core leaders to digital experiences. The “transformation capacity” also increases significantly when core leaders are challenged to develop transformational competencies.

### Digital-ready talent and learning agility.

To be part of a digital transformation, internal talent must be learning agile—they must learn quickly and react to the unexpected. This highly desirable trait includes:

- **Mental agility**—critical thinking skills and comfort with complexity, scrutinizing problems, and making fresh connections; they must be able to make these understandable to others.

- **Change agility**—the ability to experiment and deal with the discomfort of change, with a passion for ideas and a high interest in continual development.

Once it has a clear understanding of its internal capabilities as well as the gaps between where it is now and where it wants to be, an organization can take an intelligent, focused approach to its going-digital talent strategy.
Acquiring digital leadership.

Traditional companies, to fill in gaps in expertise and round out their internal team, likely will look outside to acquire digital expertise. Besides considering born-digital talent, they also should seek out the digitally experienced; a big part of the digital talent recruited recently has come from sectors further ahead in digital transformation than the hiring company. This is important—many traditional companies may be tempted to assume that talent, just because it comes from a pure-play digital company, must be best to lead a digital transition.

But it’s the rare executive from the independent, non-hierarchical, pure-play digital world who succeeds in a traditional corporate setting. Fit becomes critical to determine if such leaders will succeed in a traditional company’s culture—as well as the region or country of employ. Leaders from pure-play digital titans, such as Amazon and Google, should not automatically be considered as standouts to lead digital transformations elsewhere. Further, early career e-commerce and digital marketing talent—those in their late 20s and early 30s—may have digital expertise but often lack management experience and leadership skills; these take time and willingness to develop. Many pure-play digital executives who have not created a pure-play business may be better described as “evangelists.” They excel at helping a business evolve toward digitization, such as by instilling the needed culture and work practices. But they may not be strategic and best suited to create a business model—a rare capacity in high demand, particularly in Silicon Valley, and thus very expensive.

For top digital talent, it is a “seller’s market.” There’s huge demand for executives with proven experience transforming organizations digitally and those from pure-play, digitally native companies. Successful digital executives also tend to be entrepreneurs who, by definition, don’t seek a “job.” To make matters worse, this elite talent pool is shrinking because of growing temptations for many executives with a decade or more of digital experience to move early into plural careers—that is, taking on multiple nonexecutive posts in answer to the clamor made by boards for independent directors with digital experience. Among the FTSE 100, for example, only a fraction (1.7% in 2013) of nonexecutive directors qualify as “digital,” having spent most of their careers in Internet-centric companies or in strategic roles focused on leveraging the Internet (Gouran 2013).

Assess the digital talent needs—and the employer brand.

Traditional companies must avoid the common pitfall of ignorance about the exact kind of digital expertise best suited to their needs. Before recruiting external talent, organizations must assess their needs (and their internal capabilities) to determine the optimal candidate and skill set needed. Is the digital demand for a strategist, a technologist, or a leader with a commercial skill set? Perhaps the ideal external recruit combines all three. But the prospective digital leader must adeptly navigate the organization’s existing, defined structures and processes and deal patiently with legacy issues while building relationships with others. By assessing their needs first, organizations ensure they get the best external candidates in the door and are far more likely to select the right leader for the position.

To attract top digital talent, traditional companies must cast themselves in the best light. This requires a compelling employer brand that conveys energy and purpose. Building such strong employer brands is one of the top five objectives of many boards today (Futurestep 2015). When
launching their strategy for a digital transformation, traditional organizations must be aware of their employer brand as part of an “ecosystem evaluation.” They need to define their culture and how their organization functions, including how business gets done, how people relate to and interact with each other, the structure and hierarchy, and the relationships with strategic partners (joint ventures or mergers). They must ask, once they evaluate this ecosystem, how can a born-digital executive, who comes from a pure-play digital enterprise, succeed in it?

Figure 2: The Korn Ferry Four Dimensions of Leadership (KF4D).

In any organization, the first days and months are critical for a new executive. A deliberate, strategic onboarding process (Orr 2012) helps newcomers become more effective faster—this is important for all senior hires and is essential for born-digital executives hired into a traditional company striving to go digital.

Drawing from the Korn Ferry Four Dimensions of Leadership (KF4D, see Figure 2), our firm can detail the capabilities, traits, and drivers (Crandell et al. 2014) of digital executives best suited to succeed in a traditional environment. These include being open, flexible, and adaptable; having emotional intelligence; and possessing learning agility. Assessing for these competencies and traits, and for technical expertise, is crucial to identifying candidates’ strengths—and to learning their potential derailleurs.

To learn more about executive onboarding, please see http://www.kornferry.com/institute/best-practice-series-executive-onboarding
Retaining digital talent.

Given the scarcity of digital talent, retention must always be a priority, especially for internal talent who are digitally ready and undergoing development. As these individuals gain expertise and prove they can help lead digitization initiatives, they become more desirable to other companies and highly likely to be approached by competitors. To keep this valuable talent, companies must create growth opportunities and other incentives for them.

As for born-digital talent, their nature predisposes them to short-term assignments. After successfully launching initiatives, they are likely to move on to the next challenge. Traditional companies, knowing this, should make the most of the time they have with this talent, concentrating on “downloading” what they know to develop in-house digital expertise. Human resources should ensure processes are set up to facilitate learning among internal talent and thereby capture the maximum digital knowledge to develop and retain key expertise in the organization. Career paths also need to be established to keep internal talent within the organization and contributing to ongoing digital strategies.

![Figure 3. A firm’s digital readiness assessment.](image)

**Going digital: a case study.**

A European telecommunications company active in more than 20 countries embarked on an ambitious business strategy: transitioning from a traditional telco to a truly digital one, with hopes of eventually becoming an industry leader. This required an in-depth understanding of the company’s current standing, including the capabilities of its existing talent. The company assessed more than 1,100 of its people in seven business units for digital readiness in areas including their digital experience, transformational competencies, and learning agility (Figure 3). The telco defined a talent strategy using a “digital transformation success profile” to identify and attract the right digital leaders.

Significant successful outcomes were achieved, including:

- Assessment of the digital readiness of the organization and individuals with objective metrics and criteria;
- Identification of talent gaps and potential for development to prepare the organization to undertake digitization’s challenge (with specific analysis for each region and business unit);
- Clear vision of which internal talent could be developed, how long that would take, and what talent needed to be acquired;
- Greater awareness at the executive committee level of the current workforce’s strengths and areas of development, enabling top leaders to face strategic challenges; and
- Increased credibility of human resource as a business partner in the transformation process with the CEO and business unit leaders.
Summary

Across all industries, digitization is a mission-critical advance. Every company and virtually every job will be touched and most likely transformed by digital innovation. As one analysis noted: “Digitization is a gift to startups, disruptors, and small businesses—but an existential challenge for established companies. There is no room for inertia on the digital frontier. It takes investment, agility, and relentless focus to stay ahead, but the organizations and individuals that can establish themselves as digital leaders can find outsized opportunities” (McKinsey 2015).

When undertaking a digital transformation, a hybrid approach allows traditional companies to capitalize on the strengths of their digitally ready internal talent, especially the leaders who can build relationships and influence others. The companies, in the meantime, can supplement their human capital with in-depth digital expertise from external, born-digital talent. Organizations that bring together the best of both chart a course toward successful transformation, with an emphasis on recruiting, developing, and retaining the right talent by:

- Using assessments and success profiles to define talent strategies and guide individual talent decisions;
- Expanding the critical mass of digital talent by developing leaders whose assessments show they are closest to the “digital transformation success profile”;
- Dramatically increasing core leaders’ exposure to digital experiences to build knowledge and expertise;
- Extending a digital development analysis to the director level to support succession, people development, and promotion decisions;
- Boosting mobility to develop and compensate for digital abilities required in each business unit or function to accelerate strategy implementation where most critical;
- Promoting a culture of self-development in which leaders take ownership of their careers, incorporating results into individual development plans; and
- Devising and putting in place retention plans for key digital transformation talent.
References:


Contributors

**Fiona Vickers**
*Senior Client Partner*
Managing Director, Digital

**Kai Hammerich**
*Office Managing Director, Denmark*
Board Services, EMEA

**Dana Landis**
*Vice President*
Global Talent Assessment and Analytics

**David Zes**
*Director of Analytics*

**Julio Moreno**
*Senior Client Partner*

**Barbara Ramos**
*Managing Principal*

**James L. Lewis**
*Director of Research and Analytics*
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