



Mastering Leadership Development for a Digital Economy

Modernizing and democratizing
the competencies essential for
the digital age



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Most organizations are now facing a business environment disrupted by rapid market change, a proliferation of digital technology and changing workforce expectations. As the business context changes, leadership development has been changing with it.

Leaders need to drive innovation in their organizations. These days, innovation doesn't happen without some digital context, which will require new skills for executives, managers and others. If leadership is lagging, organizations will fall behind to competitors who can better adapt in the digital economy. The speed of change provides a great deal of opportunities for organizations, but it also punishes those who can't keep up.

What leadership competencies are being prioritized to meet the needs of the business? Is leadership development being pushed down through the enterprise to line-level employees? What technologies are used to deploy leadership development at scale and what are the roadblocks for modernizing leadership development? The Human Capital Media Research and Advisory Group—research arm of *Chief Learning Officer*—recently partnered with Skillsoft for the *Modernizing Leadership for a Digital Economy* survey to answer these questions and more.

Demographics

For full demographics information, see Appendix.

Modernizing Leadership for a Digital Economy received 493 responses from a variety of organizations.

Key findings

- **Competencies are changing**

Seventy-six percent of organizations have either changed their leadership competencies recently, just created leadership competencies for the first time or plan to change their leadership competencies soon.

- **Organizational structures require more people at all job levels to be trained in leadership**

Eighty-six percent say employees are assuming leadership roles without a formal leader designation.

Ninety-five percent of survey respondents say employees who aren't currently in a direct supervisory role need leadership skills.

- **New technology adoption for leadership development is low but promises to accelerate**

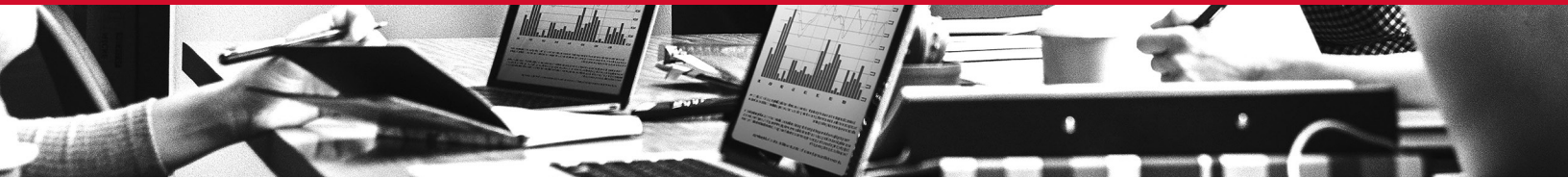
A high percentage of organizations say they plan to adopt new technologies for leadership development.

- **The maturity of changing to include new leadership competencies is far from complete.**

Thirty-two percent of organizations say they're just getting started with adjusting their leadership competencies.

Six percent say the modernization of their leadership model is complete and implemented.





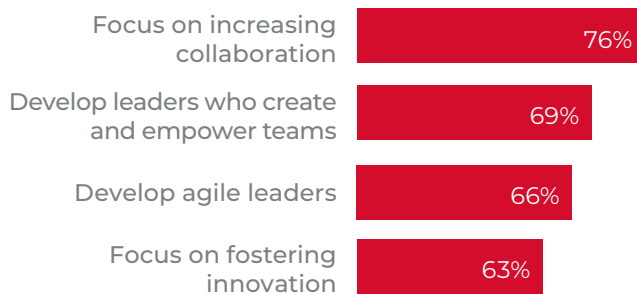
Competencies are changing, which requires greater organizational agility

These days, market forces are spurring the need for leadership competencies to change and evolve. A different set of competencies is needed for the digital age, and legacy competencies won't be able to address all the challenges modern organizations face. There's a call for companies to have greater agility, requiring digital competencies with an agile approach. According to a recent survey, agile approaches are on the rise — more than two-thirds of organizations described their approach as either pure agile or leaning toward agile.¹ While it may have begun in the tech space, the agile framework isn't just for tech companies anymore. With more companies moving to enterprise agile, they need leaders who can act within that context.

Although the market continues to change, many organizations haven't taken the necessary steps to thrive in the digital economy. This should be a wake-up call to all, as many say their leadership development programs are behind the times. Frameworks that were developed 30 years ago simply won't work in the future — things must change.

Thankfully, organizations now are starting to recognize the need for new competencies. This means changing leadership competencies are ubiquitous. Most organizations recognize

FIGURE 1: How leadership development practices are changing



the need to update their leadership competencies. More than three-quarters of survey respondents say their organizations have either updated leadership competencies recently, just created leadership competencies for the first time or plan to modify their leadership competencies soon. The most popular reasons respondents give for changing their competencies are to increase collaboration and develop both inclusive and agile leaders (Figure 1).

Developing leaders to manage and direct employees in the digital economy will take a host of new competencies and leadership soft skills. Collaboration is becoming essential as more teams work cross-functionally. Likewise, effective coaching is becoming an

At your organization, what attitudinal competencies are considered critical for a leader?



Coaching



Communication



Managing conflicts



Learning/
growth
mindset



Inviting
creative
thinking



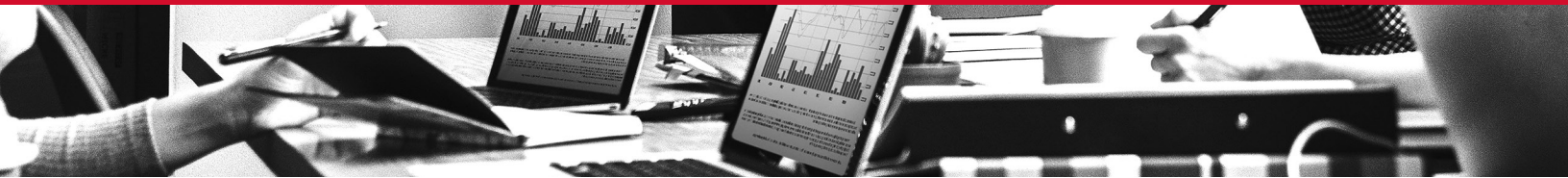
Encouraging
the testing
of ideas



Leading with
inspiration and
higher-level
thinking with
our customers

— Survey respondents, open comment

¹Jeremiah, J. (2018). *Survey: Is agile the new norm?* TechBeacon.



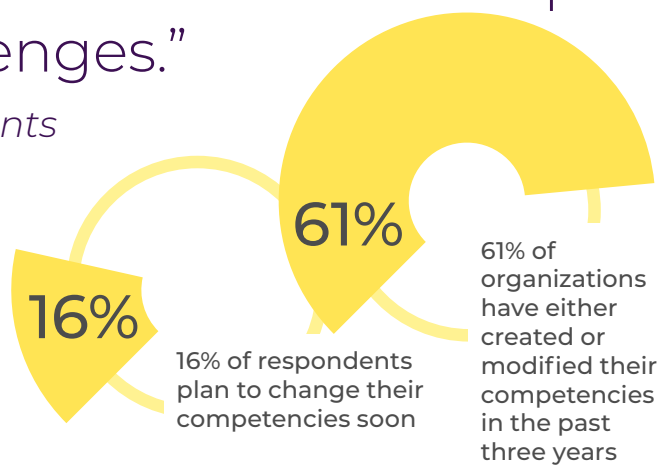
“[We need to] develop leaders who can cope with unexpected challenges.”

— Survey respondent, open comments

important part of leadership development as organizations start to phase out both the annual performance review² and in-person training. Coaching is also an effective tool for the next generation of workers, who are more likely to seek immediate feedback.³ Driving innovation and communicating effectively are further examples of leadership capabilities that are increasing in importance over time (Figure 2).

Some competencies (both new and old) are considered more important than others for leaders to have. Among survey respondents, the top attitudinal competencies considered most critical for a leader are leading with values and ethics, a willingness to collaborate and embracing diversity (Figure 3).

Further, the following managerial



competencies are considered more critical for a leader:

- **Managing priorities**
- **Building teams**
- **Coaching⁴**

As organizations dive deeper into revamping their attitudinal leadership competencies, they should examine which competencies will be more important to their business and adjust accordingly.

FIGURE 2: Leadership capabilities becoming more important over time

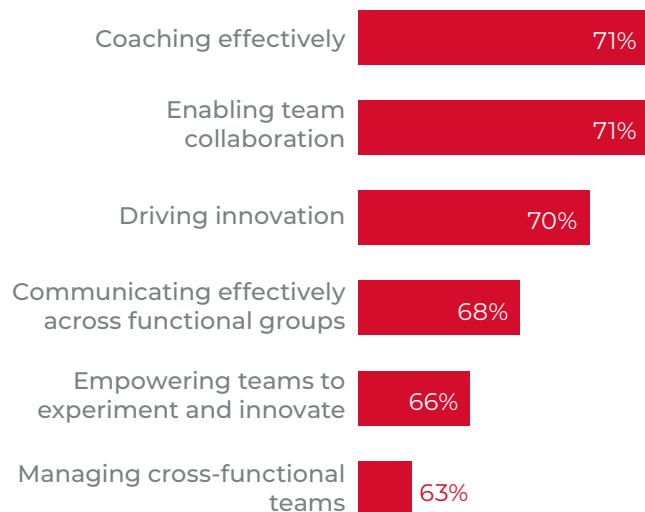


FIGURE 3: Top attitudinal competencies currently included in leadership development



²Peck, E. (2016). “The Dreaded Annual Performance Review Inches Closer to Extinction.” *Huffington Post*.

³New Research Highlights What Millennial Leaders and First-time Managers Need to Succeed. International Coach Federation.

⁴Considered a critical priority by more than 60 percent of respondents.





Organizational structures are flattening, requiring more people trained in leadership

These days, organizational structures in general along with hierarchal structures that have very defined career paths are flattening. This leads to both a cascading effect and the democratization of leadership development. More people without the formal job titles are being asked to lead. However, while organizations know that cascading is necessary, and they need to train more people for leadership than ever before, few are actively training these individual contributors.

Future organizations need cost-effective, scalable ways to develop employees. However, without cascading leadership development training, the people who lead without a formal leadership title might fall through the cracks. The time is right to develop more people today—workers further down the leadership pipeline who don't necessarily have a leadership title but will still need the knowledge and skills to lead effectively.

Organizations still have a long way to go in pushing leadership development down

through the organization. It's currently the norm for organizations to target senior, mid-level and front-line leaders with development, although there is a drop-off between those who target mid-level managers and those who target front-line leaders. Further, only a third of organizations currently target individual contributors with leadership development (Figure 4). This is in direct contrast to the 95% who say that employees who are not in a direct supervisory role now need leadership skills and the 86% who say that employees are assuming leadership roles without a formal leader designation.

FIGURE 4: Career levels targeted with leadership development

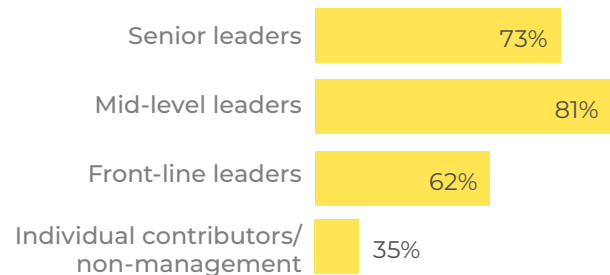


FIGURE 5: Organizational agreement with statements on leadership competencies (% who agree/strongly agree)





“We believe everyone is a leader and has influence over doing their job well and working well with others.”

— *Survey respondent, open comments*

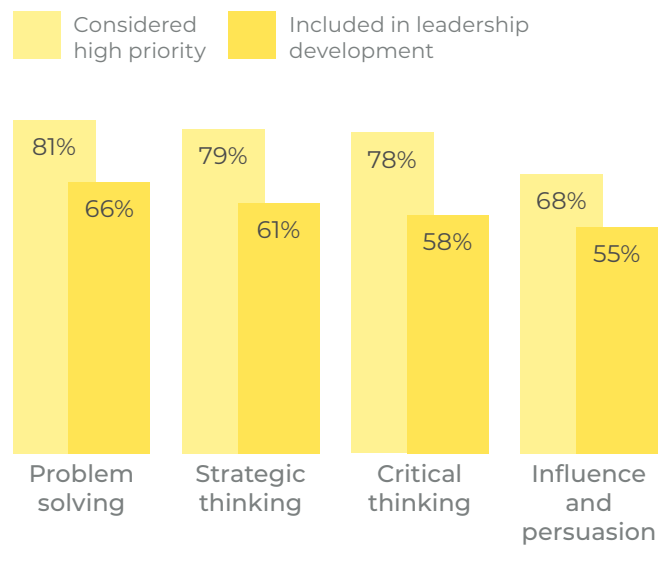
There is very broad agreement that the skills leaders will need and the challenges they'll face are changing profoundly. Organizations almost unanimously agree on both the need to focus on innovation in leadership development as well as the need to drive leadership training further down the chain of command. More employees than ever need leadership skills. More than 9 in 10 survey respondents agree: employees who aren't currently in a direct supervisory role will need leadership skills in the future (Figure 5).

There's also a growing focus on the need for teams and collaboration in leadership development—nearly all survey respondents say cross-functional teams are important for implementing their organization's business strategy. This is partly because hierarchies are flattening out, creating a need for cross-functional leadership. In addition, the need to lead innovation through mission-driven teams is a universal focus for organizations.

For most organizations, the top skill competencies considered high priority for a leader are problem solving, strategic thinking and critical thinking. However, gaps currently

exist for many of the attitudinal, digital/ agile and skill competencies between their stated importance and their inclusion in current leadership development programs. For example, while nearly 81% of survey respondents consider problem solving a high priority, only 66% say their organization includes this competency in current leadership development programs (Figure 6).

FIGURE 6: Opinion of and training on leadership competencies





“The most critical gap would be the ability to more seamlessly manage business transformation amid fast technological developments and advances.”

— Survey respondent, open comments

Technology can be a solution to leadership training issues

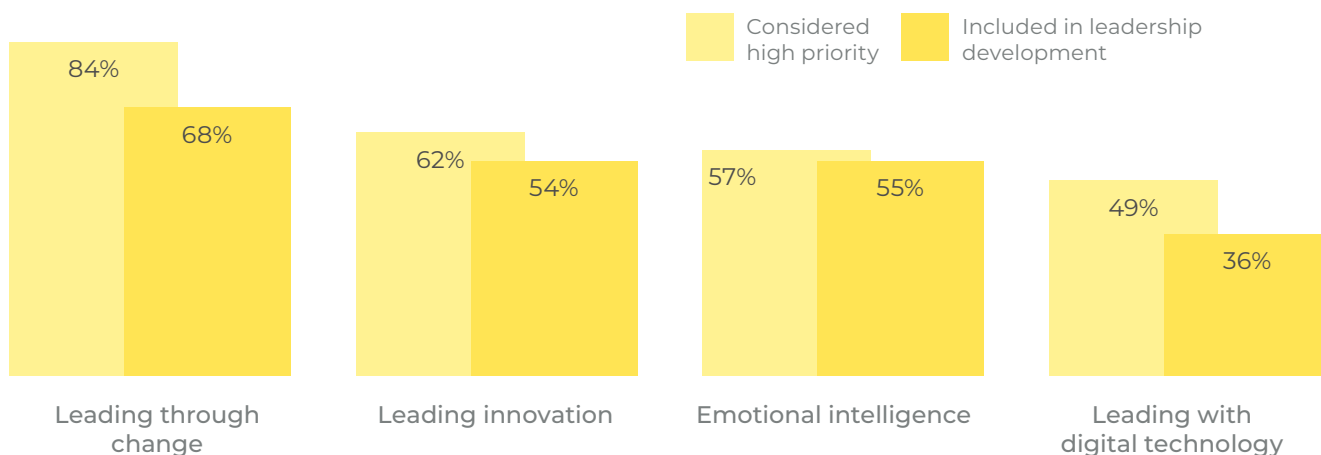
There’s no escaping technology these days—according to a recent Fortune 500 CEO survey, 71% of CEOs agreed that their company was a tech company.⁵ In that same survey, 73% said their biggest fear was the rapid pace of technology change. Yet CEOs needn’t fear technology. While the digital economy is contributing to the rapid pace of change, senior leaders can embrace digital processes and competencies to assist with leadership development.

Adopting technology can improve leadership development programs—especially when time is at a premium. For example, many organizations are leaning hard on

coaching, especially as a replacement for in-person group training. This is an area where technology can enable and empower leaders. Managers need to be complemented with technology to help them coach as effectively as possible. When coaching, the basics can be taken care of with technology, freeing managers to use their critical time productively.

With the pace of change keeping CEOs up at night, it’s no surprise that the ability to lead through change is considered a high-priority competency by more than 8 in 10 survey respondents. Likewise, innovation is valued just as highly. However, there remains

FIGURE 7: Opinion of and training in digital/agile



⁵Murray, A. (2017). “Fortune 500 CEOs on Trump, the Economy, and Artificial Intelligence.” *Fortune*.



more to be done. Nearly 84% of respondents consider leading through change a high priority competency, but only 68% say that competency is included in current leadership development programs. There's a similar gap regarding the leading innovation competency. Thankfully, the organizations considering emotional intelligence a high priority and those including it in leadership development are statistically similar (Figure 7).

What's stopping organizations from including digital, agile or other new competencies in leadership development programs? According to survey respondents, the top three roadblocks in the way of changing leadership competencies for the digital economy are lack of time set aside for developing new competencies (53%), entrenched organizational culture that resists change (44%) and a lack of clarity about new competencies (42%) (Figure 8).

It's clear organizations are still in the process of changing competencies to include digital/

agile competencies. Technology can alleviate leadership development program roadblocks, such as expense or lack of time. There's a need to shift approaches and methods with respect to leadership development. People are used to getting help at the point of need through their smartphone—we shouldn't expect leadership development to be any different. Among

FIGURE 8: Roadblocks to implementing leadership development programs for the digital economy

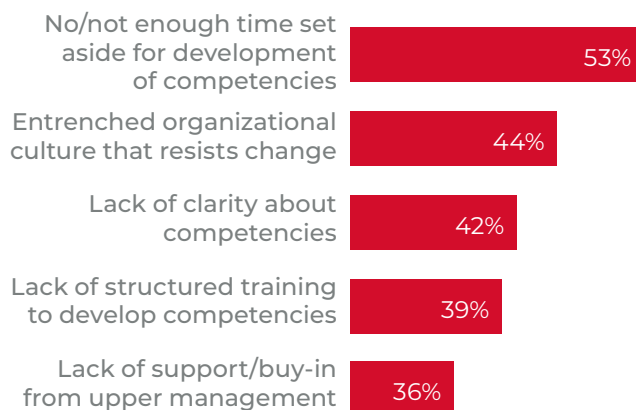
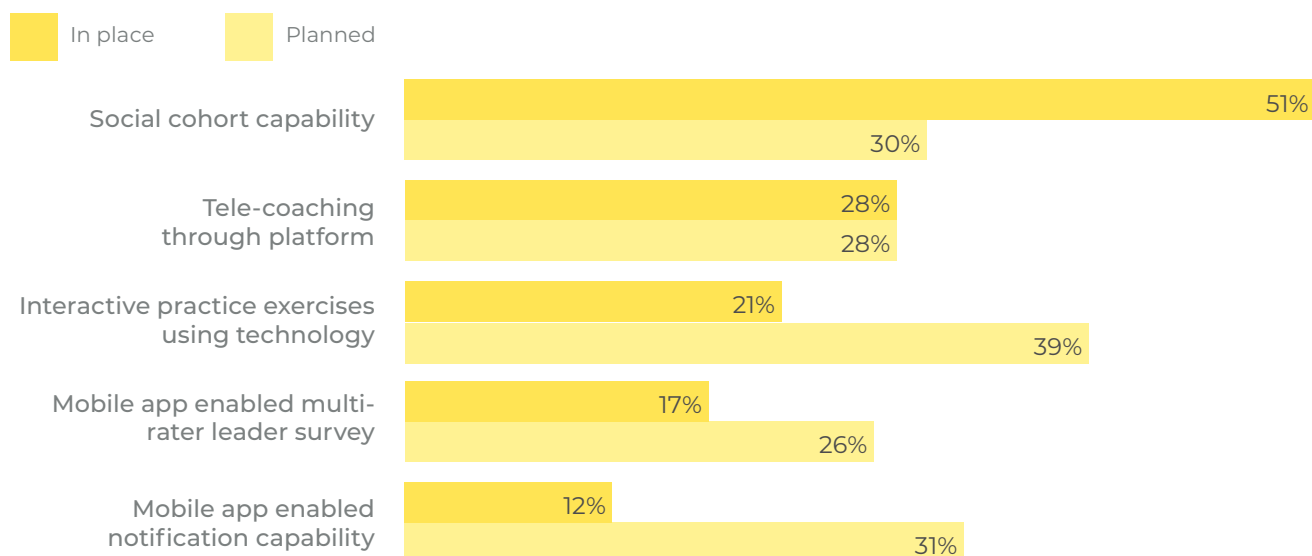


FIGURE 9: Technology-enabled innovations for leadership development, current and planned



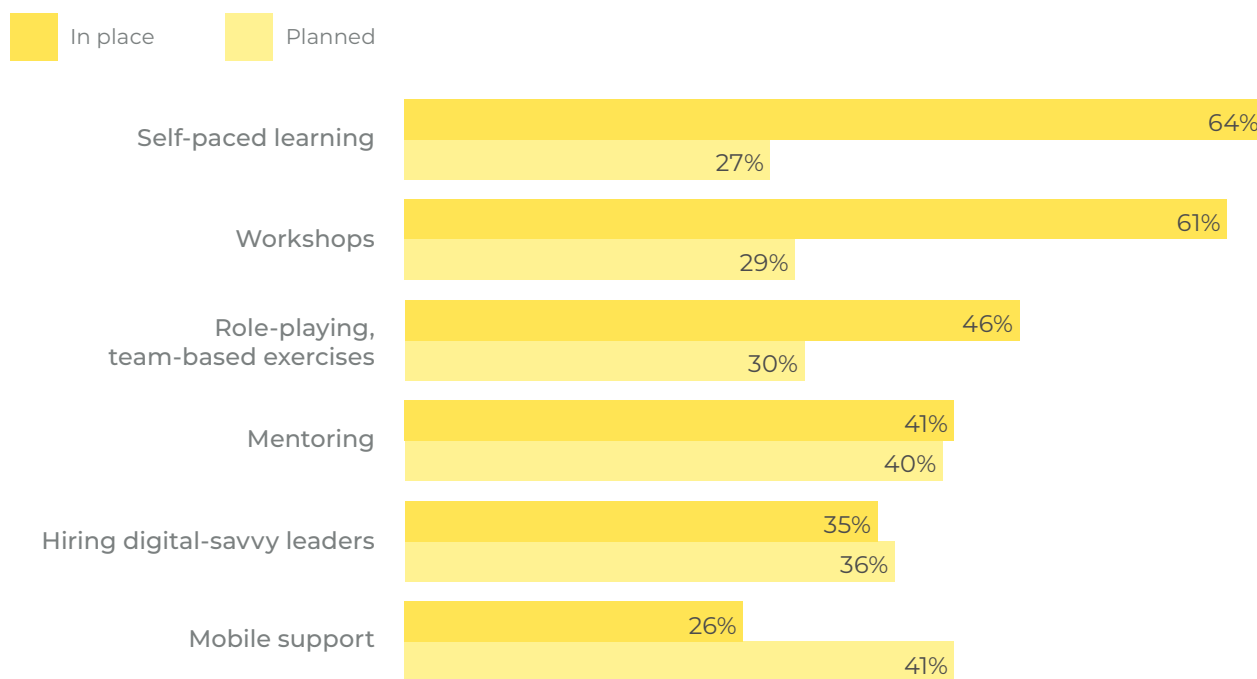


survey respondents, technological solutions are slow to adoption, although many practices are in the planning stages (Figure 9).

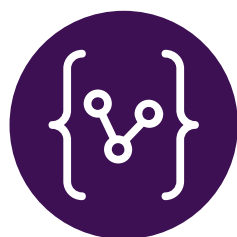
Thankfully, the percentage of people planning to adopt several technologies is huge, as organizations look to lean on technology

to help them overcome the challenges of today's leadership development. Most survey respondents report their organizations already use workshops and self-paced learning in leadership development. More programs are in the works, such as hiring digital-savvy leaders and offering mobile support (Figure 10).

FIGURE 10: Practices/learning modalities to acquire/build leadership competencies, current and planned



What is the most critical capability gap for leaders at your organization today?



- 1 Keeping up with new technology across the organization
- 2 Leading the change within their own organizations or teams but also in relation with customer and partners
- 3 Emotional intelligence
- 6 Innovation
- 4 Conflict resolution
- 7 Driving clarity in times of change
- 5 Strategic direction

— Survey respondents, open comment



The modern leadership competencies maturity model

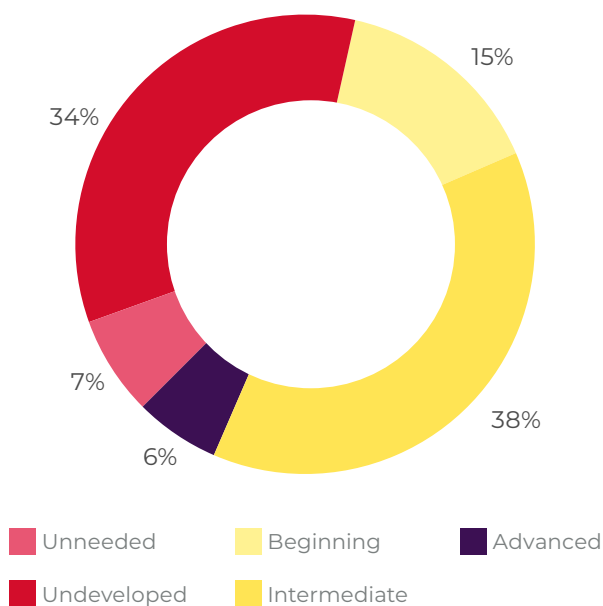
Organizational maturity of changing to include new leadership competencies is far from complete. On the survey, we asked respondents to self-assess their organization's development efforts, with the question, "At what stage is your organization in modernizing its leadership competencies for the digital economy?" Thirty-two percent of survey respondents say their organizations are just getting started. Further, 14% say they've identified new competencies but haven't yet implemented them, while 40% say their organizations have begun implementing new competencies. Only 6% of respondents say the modernization of their leadership model is complete and implemented (Figure 11).

From here, we placed respondents into two categories. Leaders include respondents

who have either partially or fully completed their competency journey. Beginners include respondents who are either just getting started with redefining their leadership competencies or who don't believe new competencies are necessary (see sidebar for full category definitions). The biggest difference between the two categories lies in which competencies the organizations are using. Also, there's a huge delta in how far leaders have come along compared to beginners.

While all organizations experience challenges regarding their leadership development programs, organizations with a more mature approach report fewer roadblocks than those just starting out on their journey. Fewer survey respondents whose organizations are further along in modernizing their leadership

FIGURE 11: At what stage is your organization in modernizing its leadership competencies for the digital economy?



LEADERSHIP COMPETENCY DEVELOPMENT MATURITY MODEL



Beginners

UNNEEDED: We don't believe that we need to change our competencies.

UNDEVELOPED: We're just getting started.

BEGINNING: We've identified how competencies need to change but have not yet implemented changes to the leadership model.



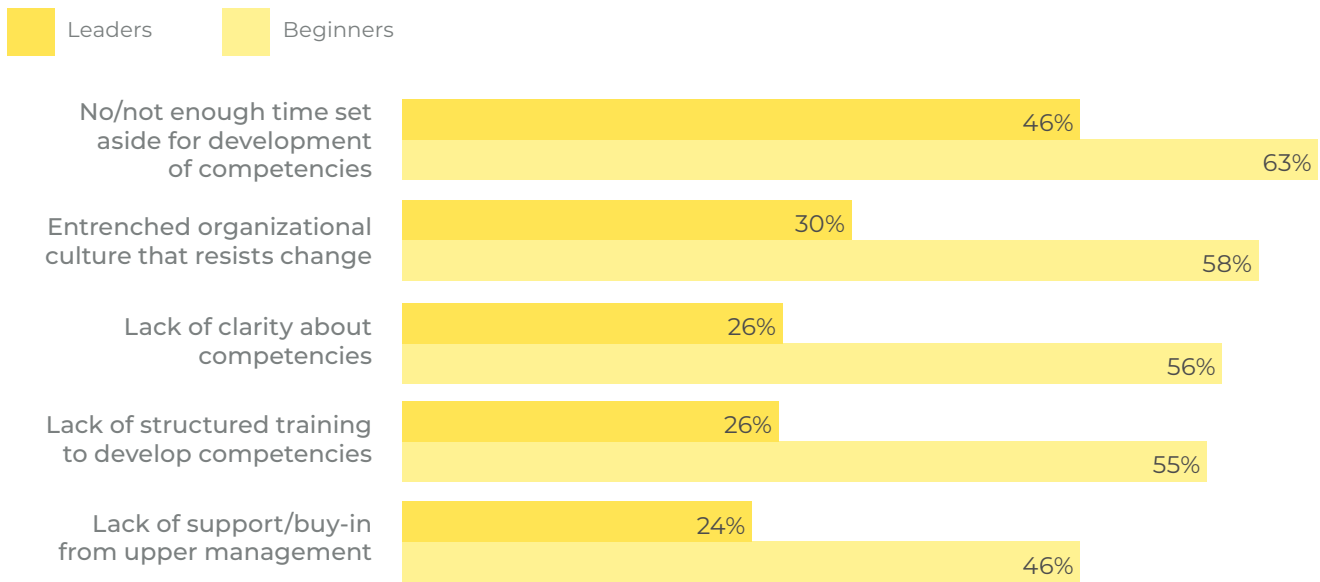
Leaders

INTERMEDIATE: We've partially changed our leadership model and have begun implementing changes.

ADVANCED: We've completed the modernization of our leadership model and implemented it across the enterprise.



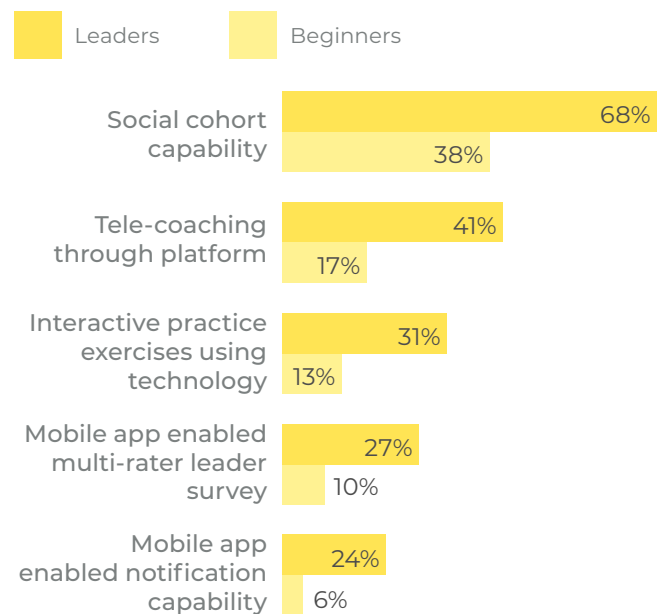
FIGURE 12: Roadblocks to implementing leadership development programs for the digital economy (by organizational maturity)

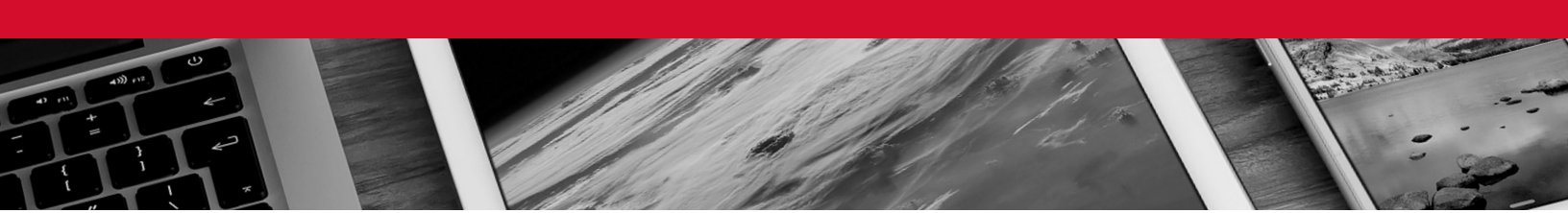


development programs report challenges such as lack of time or organizational culture than respondents at beginner organizations (Figure 12).

Leaders have embraced innovative technology in their quest to cultivate new leadership development competencies. By a 2-to-1 margin, leaders use more innovative technological practices than beginners do (Figure 13). As beginners work to update their leadership development competencies, they should examine their technological mix to see how new technology can help their leaders gain new skills.

FIGURE 13: Technology-enabled innovations in place at organizations (by organizational maturity)





Conclusion

Competencies are changing in the face of severe market disruption, and organizations report the need for greater agility. This means tomorrow's leaders will need a different set of development competencies for the digital age. Agile isn't just a methodology for tech companies anymore. Companies are moving to enterprise agile, and they'll need leaders who can act in that context.

However, many organizations believe their current programs are lagging, even as they report the need for innovation and cascading leadership development. We haven't yet fully redefined the frameworks to support what's going to be necessary in the digital economy. Organizations must recognize that frameworks developed 30 years ago won't work in the future. By introducing new leadership development competencies, organizations will be better equipped to persevere through rapid market change.

Appendix

Demographics

Survey name

Modernizing Leadership for a Digital Economy

Survey dates

December 2018 to January 2019

Number of respondents

493

Organization size

Small (less than 2,500): 56%

Large (more than 2,500): 44%

Geographic distribution

One country, one location: 24%

One country, multiple locations: 22%

Mostly one country, some global distribution:
17%

Highly distributed: 25%

Industry

Professional and business services: 17%

Education: 12%

Financial/insurance/real estate: 11%

Health care/pharmaceuticals/biotech: 9%

Technology: 7%

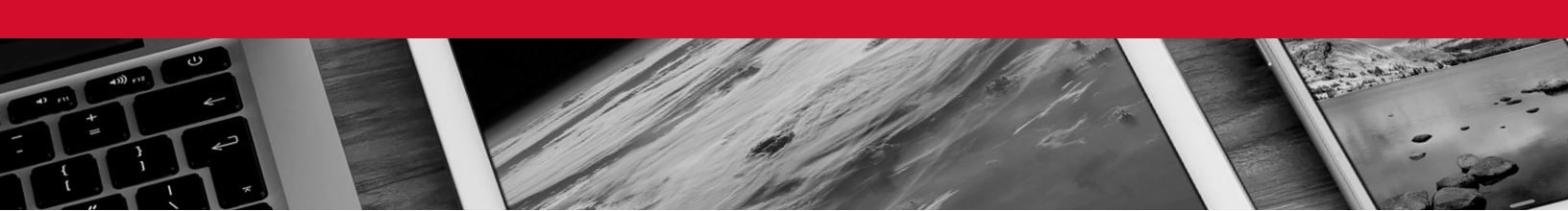
Nonprofit: 6%

Manufacturing: 6%

Government/military/public administration: 5%

Other: 27%

Figures may not total 100% due to rounding.



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Skillsoft provides a comprehensive selection of cloud-based corporate learning content, including courses, videos, books and other resources on Business and Management Skills, Leadership Development, Digital Transformation, Technology and Developer, Productivity and Collaboration Tools and Compliance. Percipio's intuitive design engages modern learners and its consumer-led experience assists in accelerating learning. The SumTotal suite features four key components built on a unified platform: Learning Management, Talent Management, Talent Acquisition and Workforce Management.

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