The work world continues its metamorphosis as organizations increasingly leverage technology to modernize their business strategies. As the pace of change intensifies, many companies just cannot compete; 50 percent of the 2006 Fortune 500 companies no longer exist. Competition rains in from every direction. Looking ahead, technologies such as robotics and artificial intelligence (AI) are projected to affect two billion jobs over the next decade.* These trends represent both a threat and an opportunity. Organizations with digitally savvy leaders, the pioneers, are outperforming those organizations with less digitally capable leaders, the laggards. As our work world becomes increasingly digital, that performance gap will only grow.

Ready or not, digital competence is already differentiating winners from losers
**How digital-ready are leaders?**

Global Leadership Forecast 2018 shows digital-era leaders focus their attention across five clusters made up of 16 competencies (see figure below). Averaging across all competencies, only 22 percent of leaders considered themselves effective in all five areas.

The right column of the figure shows leaders’ ratings of their own effectiveness. They’ve reported relative strengths in differentiators (digital capabilities and traditional leadership skills. However, the leaders’ ratings of their own effectiveness.

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Where should you focus?

Not every competency has the same impact on an organization’s digital performance. The middle column of the figure at left shows the six competencies that have the greatest impact on performance. Of these six most critical skills, leaders are relatively strong in four areas, weaker in two.

- **Drive** digital by leveraging technology to modernize their business strategy and operations.
- **Navigate** a complex digital landscape by embracing disruption with clarity of purpose and resilience.
- **Connect** people and possibilities in an increasingly dispersed and ecosystem-driven working world.
- **Relate** to others on a very human level by balancing people and technology, and lead with true empathy and inclusivity.
- **Think** differently, focusing on holistic situational understanding and seeking creative and innovative possibilities.

Leadership readiness

Where to start

- Start by identifying critical leadership roles and assess readiness of your talent to embrace and pioneer digital transformation.
- Rethink your competency framework to include emergent knowledge and skills to focus leader development. Many companies going through unprecedented change have not reexamined their competency models.
- Develop digital accelerator leadership-immersion programs. This is an excellent approach to building both technical know-how and leadership capability.
- Move beyond simply “doing digital” via discrete technology implementations to “being digital,” an embedded leadership mindset and way of working.

**Where to start**

- Some of your current leadership bench will be unable to acquire a new mindset. They may need to be replaced with more digitally capable leaders.
- Lead for the future of the organization. Nurture and develop leaders as much as those running the legacy business. New leaders will not only require a technical mindset, but also the imagination and vision of how technology can enable their organization’s competitive position.
- Foster a digital ecosystem for leaders to thrive. This includes new approaches to learning, rewards, use of space, and elimination of hierarchies. Place great digitally ready leaders in a traditional culture, and they will surely fail.

**How to differentiate**

- Identify and develop new talent. Leaders need to spot and rapidly bring on board the digitally savvy talent of tomorrow. Leaders do relatively well in this area.
- A 360 view. Leaders must be able to spot patterns and bring thinking together from multiple perspectives. This is a real weakness.

What does this mean for performance and potential?

We found that the pioneers, digitally savvy leaders, are more prepared than the laggards to meet emerging business challenges. Most notably, they’re better at anticipating and responding to the competitive environment, navigating through complexity, and using data and analytics to guide their decision making.

In the figure above, we also demonstrated a significant relationship between leaders’ digital readiness and their organization’s financial performance. Looking to the near future, every organization will need to embrace new technologies if they are to flourish. And, those with the most capable digitally-ready leaders will continue to stay ahead of the curve.

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We work globally and collaborate to bring you professional teams to address complex issues relating to organization transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.

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