

# DIGITAL ERA AND ITS IMPACT ON LEADERSHIP TRANSFORMATION

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## *Abstract*

*The history of the world is told through the lens of leaders for their purpose-driven work, where management applauds the great ones for their successful managerial achievements and admonishes and scorns the poor ones for their unsuccessful managerial actions. In this transforming and dynamic modern era, conventional techniques of leadership and separate theories of management is getting vanished and are outdated due to their restricted organizational culture and ineffective working environment with the circular flow of time. The foremost fact of the matter is that the global economy is moving forward at a rapid pace toward digitalization where leaders are required to direct the efforts of their employees not only to the extent of physical work but tasks related to managing digital assets will also be involved to add more value to the company. Leaders should emphasize maintaining a digital culture within an organization by providing a high level of freedom, teamwork, virtual space, and empowerment so that all the employees should not be afraid to experiment new spectrum of learnings and adapt to the changes prevailing in the new digital economy.*

*In this research paper, an attempt has been made to understand how businesses can become key stakeholders in ascertaining future opportunities and identifying business threats to better reflect good leadership and management techniques. The objective of writing this paper aims to enable readers to know about the changing leadership techniques in the new digital era with the primary motive of solving inflexibility and fewer adaptability issues within an organization to cope with commercial innovations and technological up-gradations. This study is based on secondary sources of data.*

**Keywords:** Transformation, Leadership, Management, Digital Economy, Virtual Space, Team Work

## INTRODUCTION

In this modern era, big drastic changes took place in the field of leadership either for big corporate houses or small-scale industries, everywhere the concept of traditional leadership is getting outdated due to its structure and nature of non-compliance with the modern organizational changes to fulfill organizations' need. Most importantly, the companies that succeed in transforming business with a clear vision of digitalization goals will have a high chance to become key stakeholders in the global market. However, the business environment plays a very vital role in embracing digital innovations for expanding business operations and it is also necessary for an organization to scan the business environment regularly to identify first-mover advantages and future threats. In the same direction, numerous research and analysis have been made to determine the need for leadership transformation. Here, all the related concepts and theories have been discussed.

## EVOLUTION OF MODERN LEADERSHIP

The concept of leadership has drastically changed and evolved during the past few decades in several ways. As organizations and workplaces have changed, people have to keep that in account when they look at leaders and how they select their leaders. For example, a hundred years ago one of the iconic leaders of the time was Henry Ford and if someone tries to describe his signature strength, it was his steadfastness that you can get any color car you want as long as it is black, he would never retreat from accepting the wish of the employees and that was a sign of a good leader 100 years ago because it meant that he stood for something and led as per his own choice. But today nobody can leave that way, leaders have to be more adaptable because things are changing and they have to change the colors of the cars to meet all the required changes prevailing in the situation.

Here, an example of a recent leader would show adaptability in nature like Bill Gates of Microsoft who identified the real concern of the society and took first-mover advantage in the field of technological innovations and this is the foremost leadership quality and signature strength that every leader needs to have to survive in the global market. The kinds of leaders that are to get ahead in the future are those who see beyond their organization, beyond their people but into the larger world and the successful leaders are going to be able to fit their organizations into what's going on around them and look beyond. Leadership is no longer described as the individual leader recognition but it considers all resource persons from top to bottom of the management. All modern leadership theories embody some common factors like social interaction, adaptability in nature, and relationship learning practices.

## LITERATURE REVIEW

Sow and Aborbie (2018) have analyzed the impact of leadership on digital transformation. The purpose of the study was to determine the leadership styles which has an immediate and great impact on the digital transformation of an organization. The research shows that organizations with high performance must cultivate leaders who are capable of managing, controlling, and leading a digitally savvy workforce.

Araujo, Priadana, Paramarta, and Sunarsi (2021) have put in reflection on digital leadership in business organizations. The work focuses on how leadership has drastically changed from the traditional era to the digital era and also the comparison has been made on the qualities of digital and traditional leaders in terms of their abilities and perspectives and how their role helps organizations in shaping the digital business. Nguyen Hai, Nguyen Van, and Thi Tuyet (2021) have researched digital transformation and how it provides opportunities and creates challenges for leaders in the emerging countries in response to the covid-19 pandemic. This work reflects how digital technology has become urgent for all forms of business organizations amid the corona pandemic to survive in the global market.

Andenoro, Mcnutt, and Murphy (2015) have analyzed the future of leadership in 2050 after 35 years of their research rather than making false future predictions. The purpose of the study is to explore and discuss solutions to overcome adaptive and complex challenges which the global population will face in the future. The leaders who are successful and influential must be having the ability to perform multiple tasks and roles for leading the organization into the digital future.

Kazim (2019) has done an analysis of digital transformation and leadership style with the help of multiple case studies. Research shows that digital transformation directly or indirectly influences four dimensions of an organization such as proper utilization of technologies, market value, structural change, and optimum utilization of human resources.

## NEED AND SCOPE OF THE STUDY

Leadership transformation in the digital economy has become an important topic in the fast-moving global economy which is to be researched and reviewed by various research scholars. It has become necessary to analyze new leadership techniques to gain the ability to frame an organizational structure that is suitable for the new digital leaders of the digital economy. To develop an understanding of how organizational, social, and individual goals can be accomplished with the help of synchronizing contribution of the internet, artificial intelligence, and other numerous digital transformational methods to accelerate the speed of witnessing innovations. Nobody would have ever thought about digital leadership but it is high time all of us should understand its relevance to stay connected with the changes occurring in the business across the globe.

## RESEARCH METHODOLOGY

The present paper has been completed by collecting data and research materials from secondary sources of data. Secondary data has been collected from various sources like journals, magazines, newspapers, and internet sources. Several theories support the title and reflect the clear picture of leadership transformation in the digital economy and all other concepts related to the given subject matter explained above. Various research scholars have given different theories based on credentials they receive while analyzing the topic and after reading those

theories, all other sub-topics have been discussed in this paper.

## OBJECTIVE OF THE STUDY

- To understand the leadership transformation in the digital economy and how leadership has evolved from the traditional era to the digital era with the primary motive of solving inflexibility and fewer adaptability issues within an organization to cope with commercial innovations and technological up-gradations.
- To put the reflection on the impact of the digital economy on leadership and how leaders will adapt themselves to the changing business environment in the technology-driven global market.
- To ascertain the role of digital leadership in bringing organizational innovation and leaders' skills in the digital era.
- To acquire a proper understanding of challenges and opportunities for modern leaders in the digital era.
- To analyze the futuristic approach to leadership in the global digital age and how leadership will be experienced in the future.

## LEADERSHIP TRANSFORMATION IN THE DIGITAL ECONOMY

According to MIT Sloan senior lecturer Doug Ready, businesses are transforming at a rapid pace and the nature of work is also changing with changed workforce values and behavioral attitudes. Amid this perfect storm of digital and cultural changes, leaders must set a tone of agility as well as experimentation if they want their organization and employees to succeed. During this corona outbreak, the global economy and the businesses running across the globe faced several challenges in managing the organization's human resources and maintaining adequate working capital for carrying out business operations. Most of the research papers revealed that today's business world leaders are still under-confident in leading, directing, and enabling their team to perform activities in a digitalized manner due to a lack of technological know-how, insufficient skillset, ineffective digital training, and traditional methods of management.

As per the research of Doug, only 9% of survey respondents felt their leaders had sufficient to be able to lead in the digital economy. Leaders of the digital era can only become successful in influencing the behavior of their team members towards the achievement of the organizational goal by appreciating their efforts, equipping them with new digital technology, and empowering them with modern leadership techniques. A company's leadership mindset is also very important to attract the best talent in the digital economy i.e. all economic activities based on digital computing technologies where billions of everyday online connections among people, businesses, devices, and processes take place. At the time of confronting challenges and change, leaders need to change and label their mindset by identifying weaknesses and gaps that arise in the process of leadership.

## IMPACT OF DIGITAL ECONOMY ON LEADERSHIP

The digital economy is also known as the internet economy, new economy, or web economy which means the advent of digital computer technology which has a great impact on how businesses are run and trade is being done. It has an immediate and great impact on leadership because the digital workplace allows easier access for leaders to conduct actual meetings and remove the barriers of time, location, devices, and network connections. It provides leaders with greater work-life balance while increasing productivity and utility for the organization. Over the last few decades, leaders are putting their effort to become digitally savvy for bringing change in the behavior of the employees who are still unaware and outdated in coping with the digital change.

If leaders will become digitally aware, employees will automatically accept the change and learn to perform their activities digitally and as a result, the organization will have a good future in the technology-driven global market. In a modern economic trend, if leaders need to expand the business, they have to build networks through social networking platforms to attract big investors by communicating and collecting information for the better conduct of business and making it profitable by following all community guidelines. Leaders should always possess a large number of analytical tools every time while working so that they acquire the ability to read large amounts of data quickly and identify information valuable to the organization. In this phase of the digital economy, leaders should always motivate employees to participate in the process of implementation of digital transformation and through the introduction of virtual technologies, leaders must ensure the regular preparation of proposals to improve product and process activities in the company. The impact of the digital economy on leadership has become an important matter of discussion across industries and organizations as digitalization impacts nearly every business operation in today's business world. For example, the use of emerging technologies affects the skills needed, behavioral preferences, and self-awareness of the workforce as well as how work is performed and organized (Colbert, Yee, and George, 2016).

## ROLE OF DIGITAL LEADERSHIP IN BRINGING ORGANIZATIONAL INNOVATION

Great leaders always think to create a working environment where employees seek to learn new skills to bring innovation in their thought

process and their way of performing the job for scaling the business and making it profitable for a longer period. In digital leadership, the internet plays a very vital role in channelizing the potential of leaders in learning technological methods of managing human resources. People always believe in the assumption that a leader must know all the technical nuances of coding to become a digital leader, but it is not true because the capability of a leader is not measured in terms of his/her digital knowledge only but how a leader influence and directs the behavior and efforts of the employees to make them learn new technological innovation.

No organization can achieve innovation without effective digital leadership. In an economy, businesses could get a first-mover advantage only if the leader's thought process toward framing policies and assuring proper implementation is effective and efficient at the same time. If the organization lacks forward-thinking leadership, employees will never be forward. New ideas and creativity give rise to organizational innovation and the result of implementing an idea can be the launch of a new product where the leader's task is to understand the need for procuring digital assets and enable employees how to handle digital assets by giving them proper training. A digital leader must possess a skill where he/she can have an access to learn a combination of digital and physical management of resources. Digital leadership has always been considered a significant factor affecting innovation.

## LEADERSHIP SKILLS IN THE DIGITAL ERA

Due to the corona pandemic, the private and public sectors both got highly affected across the globe. It has forced all forms of business organizations to accept the change and undergo digital transformation. For example- ICICI Bank has started a full digital banking platform for its retail and commercial users. This service can be availed by users 24 × 7 and all the banking services will be provided in an online mode. To accept these kinds of digital changes, leaders need to have various leadership skills in the digital era. These skills are as follows:

- **Personal Communication:** The digital world has benefited and enabled us to stay connected with our team 24 × 7 and any member of the team can contact us with a click. Leaders have been given a plethora of tools through which they can develop communication with the workforce such as text, emails, chats, video conferences, etc. Leaders always communicate to employees personally to solve their problems that arise due to technological advancements.
- **Always Ready to Accept Change:** Digital transformation is new for each one of us but with the changing environment, leaders have to learn how to be technology-friendly. Whosoever is tech-savvy can adapt to the change but the ones who are not having a bit of technical knowledge will be stuck in the process. In such cases, digital leaders must be ready to accept the change and make sure that no one is left behind.
- **Provide Free Hands to Commit Errors:** Nobody is perfect in this business world and the future is uncertain, due to which prediction is also impossible. Therefore, making mistakes is normal and natural. Leaders should always give free hand to employees to commit errors so that they will not get afraid to try a new spectrum of learning.
- **Responsibility to Encourage Digital Literacy:** As explained earlier, employees with zero technical knowledge will face difficulty while digitally performing activities. To overcome this problem, leaders should encourage digital literacy including learning of skills required to work in the digital economy.
- **Leaders should always be innovative:** According to digital transformation statistics released by Forbes, 60% of companies that have accepted digital change have created new business models. Therefore, leaders should always be ready to learn, practice, explore, experiment, search and determine new skills to cope with the change in the new dynamic environment.

## CHALLENGES AND OPPORTUNITIES FOR MODERN LEADERS

The challenges for modern leaders are as follows:

1. **Lack of Physical Interaction with Customers:** Leaders face difficulty to maintain consistency in developing communication with the employees through the digital medium. Due to lack of in-person meetings, the relationship between leaders and employees gets weaker and it harms superior-subordinate connections as well.
2. **Uncertain Future Course of Action:** All of us are known to the fact that the future is uncertain and future activities can't be predicted through complete use of the internet. Human needs and behavior can't be ascertained in the digital form and due to lack of proper information about the future business environment, leaders get stuck in the process of leadership.
3. **More Quantity and Less Quality in Meetings:** Whenever a decision is to be taken for expanding business operations or to frame plans and policies, the meeting is required to be conducted with the employees and managers from all levels of management through digital mode where a leader will feel easy to conduct a meeting but he will not be able to recognize the efforts of the employees which give rise to increase in the quantity of the meetings and decrease in quality.
4. **Ignorance of Cyber Risks:** In the digital world, data and information is transferred from one place to another using a digital medium which can cause data breach and hacking to manipulate and steal data from an organization's system. Leaders and employees both face the challenge of not being able to anticipate future threats due to lack of training.

## OPPORTUNITIES FOR DIGITAL LEADERS

1. **Upgraded Data Collection:** Almost all the companies collect customers' data and information in order to know their choice, preferences, views, and feedback for a particular product but a great digital leader take real benefit by optimizing the data for analysis that can expand the business ahead. Leaders should also show their customers that the company respects their data by providing strong data privacy and also giving customers the chance to take their own decision as per their willingness.
2. **Knowing Customer Insights Through Social Media Platforms:** After collecting structured data from customers and knowing their complete details, companies can unlock their customers' insights and develop a better understanding of their needs, choices, and preferences. By doing that, companies can prepare the best business strategy which will be more customer-centric. Thereafter, left data can be collected through unstructured data collection through social media platforms such as Facebook, Instagram, Twitter, etc.
3. **Companies are Witnessing Higher Profits in The Digital Transformation:** Digital leaders are getting an advantage from leading through the digital medium which improves efficiency and effectiveness. The result which has been reported by the SAP Center for Business Insights and Oxford Economics:
  - I. 80% of leaders of their respective organizations that have completed digital transformation report increased profits.
  - II. 85% are having their say that they witnessed an increase in the company's market share.
  - III. On average, leaders expect 23% higher revenue growth than competitors.

1. **Productivity improvement:** Leaders can achieve the target of reducing labor turnover by reducing the workload from employees' heads and with the use of AI, manual work will be automatically done and data from different sources will be integrated in a single dataset. It will boost the morale of employees and make them efficient.

## FUTURISTIC APPROACH TO LEADERSHIP IN THE GLOBAL DIGITAL AGE

General conviction about today's leaders who are virtually leading their team is that they are having the most factious rides in their profession beyond everything. I talked to various leaders of renowned organizations and got to know that there is still the existence of deficiency in current leaders' skill set, traditional mindset of handling the problems, unclear and mismatched pathways, and high tension due to the wrong strategy followed by leaders today. The irony is that the workforce including managers and leaders who are not digitally savvy are still leading from their positions and managing digital assets to scale business operations and that can cause harmful effects for the companies.

In the 20<sup>th</sup> century, digital tools are essential for everyone from a child to an old age person.

In the modern era, Companies, their headquarters, and branches are scattered across the globe and if any urgent meeting is to be conducted for finalizing any project then companies would prefer to conduct the meeting through an online medium rather than conducting the meeting in a physical form by inviting all the managers and leaders from different geographical areas of the world. Digital leadership is not only the need of an hour but the best way to increase productivity, profit and achieve stability in operations. With the rapid pace of technological change, the leaders who are successful and influential must be having the ability to perform multiple tasks and roles for leading the organization into the digital future. Communication through digital media will always be the topmost skill of the leaders in the future of digital leadership and quick decision-making skills, adaptability in an uncertain business environment, and managing connectivity will be the secondary and significant skills in the digital economy.

## CONCLUSION

Empowering the leader means empowering the organization. This quote is valuable and sufficient to understand the leaders' contribution in shaping the organization. This paper provides a theoretical study that examines transforming leadership in the digital economy and how leadership will look in the future. A comprehensive study of changing patterns of leadership from traditional to modern and its evolution has been discussed in the paper.

In the analysis, the impact of the digital economy on leadership, how the role of leadership brings organizational innovation, and what leadership skills are needed to lead the organization so that organizational goals can be achieved. Leaders who are not digitally transforming themselves will not succeed in the future which is completely uncertain. If leaders are not experiencing and are unwilling to use data and analytics will underperform. If a person wants to grow as a leader as well as an innovator will have various opportunities in the future but in the initial stage, he/she must acquire all the required skills to adapt with the changing technological environment.

## RECOMMENDATIONS

In the present paper, various recommendations have been suggested to overcome the challenges of digital leadership.

- Digital leaders often face challenges in managing virtual teams due to lack of trust, effective communication, and lack of technical knowledge. To overcome this problem, companies should take one step ahead and organize consultancy programs in virtual leadership and training programs to enable all digital leaders to learn soft skills, and technical expertise to beat the challenge.
- Leaders will have to understand that success in this digital economy would never have been possible without mastering these skills. And using digital tools like video conferencing can help leaders to enrich their potential in the digital age. To build trust, face-to-face interaction is a must activity, and meetings in virtual space will never create a sense of belief in leaders as well as in employees' minds.
- As per one of the researches, project managers have been asked about their experience and how they started their projects when they were leading virtual teams, as per their answers it appears they were quite conscious about face to face meetings during the project process, it happens especially when the task is complex and employees do not know each other due to their different background, culture, attitudes, and their way of talking. Therefore, leaders should always be ready to adapt themselves with the situations prevailing in the digital economy.
- Digital transformation brings greater transparency in the work as everybody can have easy access to data and information anytime. In simple words, all challenges of digital leadership can be overcome by adopting both digital and physical ways of interaction by managing, leading, and developing proper communications. Moreover, new technology provides a democratic environment and empowers the lives of the new generation if it is used in the right way.

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