

E-Leadership

Separating the Reality from the Hype

The digital revolution was portending big changes for the practice of leadership when the Internet economy hit a bump in the road. According to leaders surveyed by CCL and Forrester Research, however, this doesn't mean a return to the old ways of doing business. These leaders realize that they face new challenges and must bring new skills to the table to be successful in the networked economy.

You remember the conventional wisdom of not so long ago: *In the Internet economy, everything has changed. Most of the ways in which business was done before the digital age no longer apply. Organizations that continue to cling to the models and assumptions that always worked for them in the past will lag behind the innovators.*

As quickly as people jumped on the e-bandwagon in the late 1990s, they jumped off when the dot-com revolution hit a snag. As companies with dubious or nonexistent business plans folded or saw their once-inflated market capitalizations reduced to next to nothing, people wondered whether the networked economy phenomenon was based on pure hype. Perhaps the Internet

hadn't really changed things so much after all.

What is the true standing of the digital revolution, especially as it relates to leadership? In June 2000, CCL and Forrester Research Inc. embarked on a strategic alliance to learn the impact of the networked economy on leadership. The two organizations are conducting research aimed at better understanding how executives can become successful e-leaders and at defining the portfolio of skills an executive needs to be an effective e-leader.

The alliance's initial explorations indicate that despite the marked slowdown in the technology sector, the business environment in general and the ways in which work is done and organized are changing radically and will continue to do so. With that said,



by **Mary Lynn Pulley, Valerie I. Sessa, John Fleenor, and Tom Pohlmann**

a lot of hype remains to be sorted out from reality. Certain fundamental notions about leadership have not changed. For instance, is it still true that effective leaders have character and integrity? Yes. And do leaders need communication skills to unify employees and motivate them toward common goals? Absolutely.

But the altered landscape of the networked economy is here to stay—there is really no turning back to the industrial age and its assumptions of

control, hierarchy, and machinelike regularity. At the same time, the “e” in e-leadership could stand not just for *electronic* but also for *evolving*, reflecting the way that the nature and the understanding of leadership are changing. When many incremental changes are combined, they result in a fundamental shift, but during the process of change there is instability. This explains the backlash against the Internet economy, which simply came too far, too fast. But the move toward an environment in which organizations must have the resilience and tenacity to quickly adapt to circumstances and change shape and direction is inexorable.

To better understand the challenges faced by leaders in the networked economy and the competencies needed to be an effective leader in this new environment, CCL and Forrester surveyed 546 leaders from a wide spectrum of companies representing a cross section of industries, then conducted in-depth follow-up interviews with 35 of these leaders. In this article we focus on the responses to two questions:

- What specific leadership challenges do you face now that employees, customers, and suppliers are using Web-based technologies?
- What skills, experiences, and traits do you think are important for being an effective leader in the digital economy?

The answers will no doubt strike some familiar chords with other executives and managers who are grappling with the changing context of leadership. The responses also provide insights into how leaders can best proceed into the e-frontier.

TOUGH ROAD AHEAD

The responses to the first question make it clear that leaders are struggling with bringing new technology into their organizations; figuring out

how to best use it once it is introduced; and getting themselves, others in their organizations, suppliers, and customers up to speed on it. (See the sidebar “The Biggest Challenges.”)

The growing emphasis on computer networking and information processing is radically changing organizational cultures and resulting in a general anxiety over adapting versus risking obsolescence and extinction. Leaders are not optimistic about their organizations’ near-term ability to create new systems and processes using the latest technology. The learning curve, they say, is steep. Leaders understand that companies are becoming increasingly interdependent, yet this interdependence complicates the tasks of integrating technology and streamlining processes, because every link in the chain must have compatible systems. Technological tools are being developed faster than organizations’ abilities to use these tools.

A majority of the leaders surveyed, recognizing a glaring need, said their organizations are making a major push in technology investment. The leaders are aware that their jobs entail making decisions about purchasing millions of dollars worth of technology. To make informed choices they need to understand the impact of technology on their industries and realize the potential benefits for their organizations. This in turn requires extensive knowledge—hands-on and theoretical—of technology.

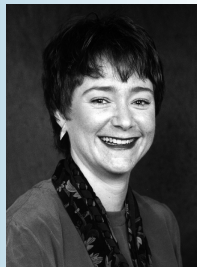
Yet leaders are lagging in this respect. Many of them still prefer to communicate face-to-face or by telephone. Their use of e-mail has proliferated (98 percent use it at least once a day), but they rarely use more sophisticated technologies such as videoconferencing, Web conferencing, or instant messaging. They often don’t get personally involved with technology projects. Instead they delegate the projects to specialists—or worse, nonspecialists. The results can be disastrous.

ABOUT THE AUTHORS

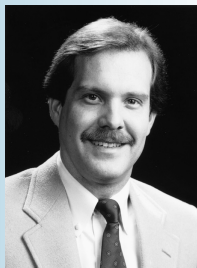
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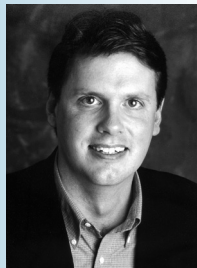
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The Internet can be difficult to grasp conceptually because it is both a driver of change and a tool for dealing with that change. The technology is outpacing the ability of many organizations to apply it because they don't have the infrastructure or processes to integrate it with their existing cultures and business processes. But acquiring knowledge of technology is not enough; leaders must also be able to convert their knowledge into effective strategies, policies, and processes.

FUNDAMENTALS APPLY

The executives and managers surveyed believe that despite the atmosphere of pervasive change, fundamental leadership skills are still important. However, those skills cannot remain static; they must be continually adapted to the technologically mediated environment. So leaders face layers of complexity and intensity that did not exist before.

Good communication skills emerged as the top priority in the responses to the second question:

“What skills, experiences, and traits do you think are important for being an effective leader in the digital economy?” (See the sidebar “The Critical Assets.”) The importance of being able to communicate quickly with anyone inside or outside the organization is amplified in the networked economy. With the proliferation of e-mail, leaders must be able to communicate effectively not just through speaking but also through writing. Adeptness in the medium of videoconferencing has also entered the picture. Most important, today's leaders must be able to communicate effectively across numerous boundaries—organizational, functional, geographical, generational, and more.

One of the main challenges mentioned by leaders is communicating with the *Net generation*—people born after 1977, a demographic group even larger than the baby boom generation. The Net generation, which is beginning to enter the workforce, grew up with technology and the Internet, so its members are accustomed to interactivity, collaboration, and nonhierarchical systems of com-

munication. In addition, for most of them learning how to use new technology is like falling off a log. Attracting, retaining, and motivating workers from the Net generation is critical for organizations and requires a clear departure from the traditional command-and-control style of leadership.

The primary imperative of communication has always been to unify a number of diverse individuals around a core purpose so they can all move in the same direction. But the leaders indicated that this has become increasingly challenging for two reasons. First, because of a blurring of boundaries within organizations and between organizations and customers, partners, and contractors, leaders often find themselves in situations where they must influence others without having the formal authority to do so. Second, the prevalence of mergers, acquisitions, and alliances has created a fluid workplace in which the composition of a team is likely to change during the course of a project. The leadership challenge is to establish a clear

The Biggest Challenges

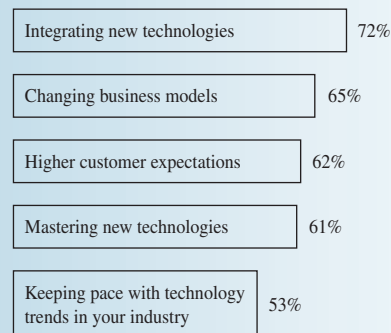
Following is a sampling of responses to the question “What specific leadership challenges do you face now that employees, customers, and suppliers are using Web-based technologies?”

- There's a sense of urgency that says if we're not on the Web, we're going to be out of business.
- Part of the problem is that even though we can do a lot of great things, our systems are still very much direct-mail focused. So we're constrained internally and have to work with jury-rigged technology.
- A lot of the infrastructure changes take a while to get going. Things are going so fast that they

are outpacing the formal infrastructure that historically takes care of those things.

- We are working with world-class subcontractors, and their systems are archaic.
- As a supplier, we need to hold our distributors' hands and pull them into the twenty-first century. It's important to be on the leading edge of technology but not on the bleeding edge.
- We used to rely on the technology guys . . . now we're finding that the internal business owners need to understand technology. What is the Web—its risks, its benefits? What does it mean to do business in the digital economy?

When respondents were asked to name one or more specific challenges, these five were named most often:



The Critical Assets

Following is a sampling of responses to the question “What skills, experiences, and traits do you think are important for being an effective leader in the digital economy?”

- You have to have great communication skills, but not just verbal skills. . . . You need to have written and videoconferencing skills, and [leadership] needs to move toward a dynamic relationship.
- Recent college grads are leaders in developing new systems. The way they work is different—they’re motivated by having fun—and you can’t apply traditional management rules.
- The younger generation is more empowered than ever before. You almost have to be able to speak two languages.
- You need to feel comfortable crossing silos, even though people might not want you there. It is a fine line of influencing without stepping on too many toes.
- There are more people that need to be brought into the decision-making process. Therefore I need to understand more about their perspectives—collaboration, teams, the matrixed organization. [For example,] now I’m bringing

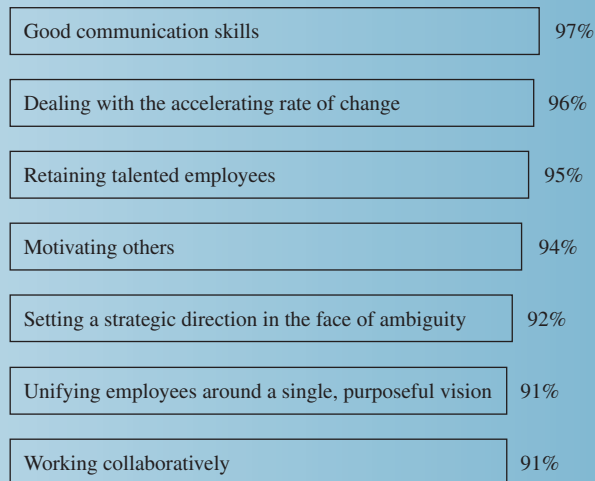
together people from information technology and finance to discuss each and every server, then I have to bring in the project manager to work with the finance people to get this project done.

- E-business has driven up the value of pursuing new alliances. We recognized that we didn’t have all the skills, and it didn’t make sense to build them in-house. Rather than do it ourselves, we teamed up with others and developed alliances.
- What do you do when you receive hundreds of messages per

hour, and customers and suppliers are changing orders constantly? . . . Sifting through e-mails and messages and knowing where the right information is—that has become the biggest challenge. You need to constantly prioritize.

- Integrating Web technology throughout the organization is very difficult. The key is coordinating priorities.

When respondents were asked to name one or more specific skills, experiences, and traits, these seven were named most often:



objective that can be a point of reference even when team members come and go.

SEEING THROUGH NEW EYES

One of the dominant threads in the responses to the survey and in the follow-up interviews is a sense that the entire context for leadership has changed, that digital technology has fundamentally altered the environment and the ways in which people work. Change occurs more often and faster than ever before, and choices are more likely to be ambiguous than clear-cut. The traditional view of

leadership is that it comes from the individual, through either personal dominance or interpersonal influence. But technology has introduced such complex challenges and such rapid change that it may no longer be possible for a single leader to do it all and have all the answers. Our entire understanding of leadership may need to be overhauled so that we see the source of leadership as, appropriately enough, a network—that is, we may need to think of leadership as collaborative, interconnected, and able to come from any person or group of people in an organization. Two comments from

leaders who took part in the follow-up interviews give strong hints of the emergence of this new perspective on leadership:

We will go from managing groups of employees to managing communities in the Net economy. It is a different dimension of management.

It will take a community effort to achieve a goal. Resources like expertise, raw materials, and products will have to be managed across a community. I believe that this will require a different style of leadership that is more far-reaching in scope. ♪