THE HERO LEADER HAS EXITED THE STAGE

6 Truths of Leadership Development in the Digital Age

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WHITE PAPER

EXECUTIVE SUMMARY

The digital economy has precipitated a shift in the way work is performed and this, in turn, has changed the face of leadership. Yesterday's image of leadership was that of a commander, issuing orders from atop a squadron of loyal underlings, duty-bound to follow without question. And while this top-down approach fostered efficient execution in the industrial age, digital age leaders adopt a different approach. Fostering collaboration and encouraging innovation are now the core competencies of effective leaders. In an evolving competitive landscape, the antiquated Hero Leader model no longer engenders success. A new model of leadership is needed.

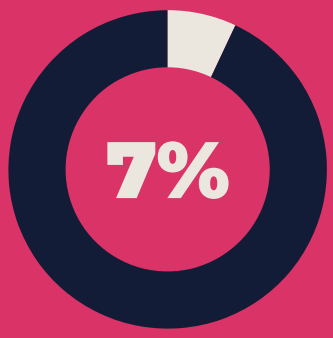
THE STATE OF LEADERSHIP TODAY

The state of leadership development today is sobering; a recent Fortune magazine study found a mere seven percent of Fortune 500 CEOs think their companies are building effective leaders.[1] Further, a McKinsey survey of over 500 executives found that only 11 percent strongly agreed that their leadership development initiatives yielded the desired results.[2] And a 2018 HR.com/Skillsoft survey corroborated these findings: Only one-fifth of respondents said that their managers or executives lead effectively.[3]

Ineffective leadership has tangible and widespread consequences:

- **Lost revenue:** Ineffective leadership costs money — as much as seven percent of total annual sales for a typical company.
- **Higher employee turnover:** People leave managers, not jobs. Better leadership can prevent up to 32 percent of voluntary turnover.
- **Decreased customer satisfaction:** Lackluster leadership affects customers. Lower customer satisfaction levels due to poor leadership practices result in almost four percent lower revenue growth.[4]

For HR and L&D leaders, these results are obviously disappointing — and befuddling. For decades, best-in-class companies have invested in expensive leadership development training. Leadership development is a multi-billion dollar industry, accounting for roughly one-third of all Learning & Development spending.[5] Clearly, the commitment and the investment levels are there, so why isn't it working?



7% of Fortune 500 CEOs think they're building effective leaders

1 IN 5 HR and L&D professionals say their executives lead effectively

THE COST OF INEFFECTIVE LEADERSHIP

7% of annual sales

32% of voluntary turnover

4% of revenue growth

[1] *"What's missing in Leadership Development?" McKinsey, August 2017 Quarterly.*
[2] *"What's missing in Leadership Development?" McKinsey, August 2017 Quarterly.*
[3] *"Revamping Leadership Development." HR.com, 2018.*
[4] *"The High Cost of Doing Nothing," The Ken Blanchard Company, 2009.*
[5] *"What's missing in Leadership Development?" McKinsey, August 2017 Quarterly.*

A NEW AGE DEMANDS NEW LEADERSHIP

The digital age requires a new kind of leader. The post-industrial age has ushered in a new way of working, resulting in the need for new leadership skills and competencies.

Technology has created new job categories that were once the realm of science fiction. AI, machine learning, automation, and data science have gone from our imaginations to our realities. New functional areas like DevOps have emerged. New methodologies like agile and design thinking have taken a firm hold across organizations. Crossfunctional work is now the norm. Advances in communication have connected global teams, collapsing distances and requiring effective global and virtual collaboration. And there's no going back.

One consequence of this sweeping digital transformation is a new work paradigm. Organizations are breaking down silos, redistributing decision-making, and flattening the corporate hierarchy into connected networks. The business world is now smarter, faster, more agile, and more democratic. And the leader of the past is rapidly becoming obsolete.

Yet most corporate leadership development programs haven't reflected to this changing reality. According to research by the Brandon Hall Group, only ten percent of organizations have aligned leadership development programs with future business needs and the competencies required in the digital age.[6] Catalyzing productivity and innovation in this new, complex web of work means that creating leaders for the digital age requires a whole new approach.

ORGANIZATIONS ARE BREAKING DOWN SILOS, REDISTRIBUTING DECISION-MAKING, AND FLATTENING THE CORPORATE HIERARCHY INTO CONNECTED NETWORKS. THE LEADER OF THE PAST IS BECOMING OBSOLETE.

ONLY 10% OF ORGANIZATIONS ALIGN THEIR LEADERSHIP PROGRAMS WITH FUTURE BUSINESS NEEDS

[6] *"Reinventing and Democratizing Leadership Development," Brandon Hall Group, 2018.*

THE SIX TRUTHS OF MODERN LEADERSHIP DEVELOPMENT

YESTERDAY	WHAT HAS CHANGED	TODAY
Direct Reports Who Execute	**WHO IS BEING LED?**	Agile Teams, Squad, Tribes Which Innovate
Command & Control	**FRAMEWORK**	Connect & Collaborate
Drive Direction	**CRITICAL TASK**	Create & Empower Team
Execution	**LEADER CORE COMPETENCY**	Innovation
Skillsets	**WHAT NEEDS TO BE DEVELOPED**	Mindsets
Limited	**REACH INTO THE ORGANIZATION**	Democratized

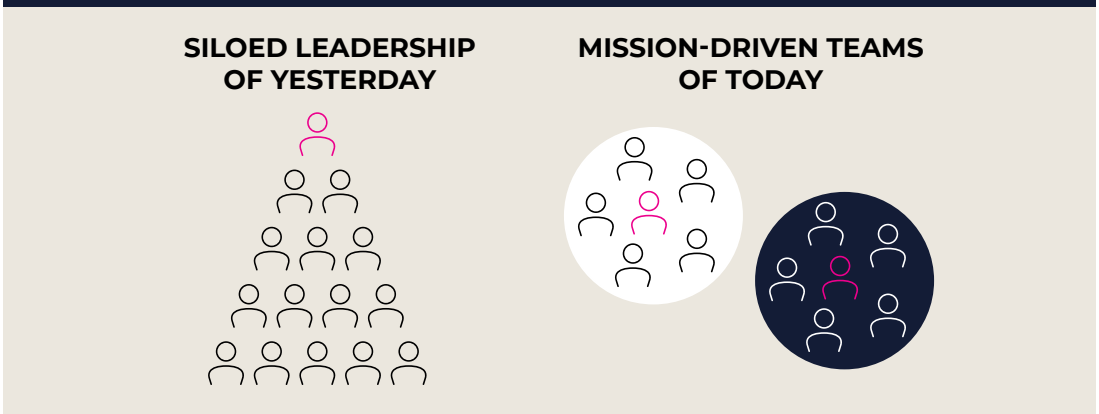
SIX TRUTHS OF LEADERSHIP IN THE DIGITAL AGE

1. LEADERS NOW GUIDE AGILE TEAMS AND AD HOC TRIBES — NOT DIRECT REPORTS WHO SIMPLY EXECUTE THEIR PLANS.

Today, work is performed by teams. The static corporate hierarchy has given way to fluid, cross-functional teams that assemble around a project or initiative that may last weeks, months, or even years. Rather than static groups of direct reports charged with executing plans handed down from above, leaders today manage diverse, global teams, which must be empowered to operate with agility, autonomy and a constant emphasis on innovation. Leading these mission-driven teams requires a new set of competencies and the ability to lead through influence and motivation, rather than authoritarian fiat. As the organizational structure flattens into cross-functional networks, leadership becomes less absolute and more connected and dynamic.

LEADING MISSION-DRIVEN TEAMS REQUIRES THE ABILITY TO LEAD THROUGH INFLUENCE AND MOTIVATION, RATHER THAN AUTHORITARIAN FIAT.

LEADERSHIP IS DEMOCRATIZING



THE HERO LEADER DIRECTED.
THE DIGITAL LEADER COACHES.

2. GOOD LEADERS DON'T COMMAND AND CONTROL. THEY CONNECT AND COLLABORATE

The new goal of leadership is to connect and collaborate, not command and control. The modern leader must reject the notion of absolute authority and promote the kind of collaborative team efforts needed to tackle complex problems. They must embrace the fluid networks of relationships that have replaced structured corporate pyramids. While the leader of yesterday dictated, the modern leader influences and motivates. The Hero Leader directed; the digital leader coaches.

Today nearly every organization is "digital" — at least to some degree. As demonstrated by the emergence of functions such as DevOps and Customer Success — which combines elements of Marketing, Sales and Customer Service — cross-functionality is increasingly built into the fabric of today's organization. Digital leadership, then, is about encouraging this cross-functional collaboration, generating diverse ideas and solutions and facilitating a fusion of functions.

The modern leader is akin to an orchestra conductor, serving more as a conduit than an oracle:

> The essential work of a conductor has never really been about the exercise of authority. Conducting is really about the creation of a culture of responsibility, of respect, of musical and social awareness, and of listening. Conducting is a metaphor, not for absolute power but for shared experience, for collaboration, for listening.
>
> ***Tom Service,***
> ***Music as Alchemy: Journeys with Great Conductors and their Orchestras***

The conductor must be attentive to what the orchestra is doing — and adapt to unexpected turns it may take. If the brass section pushes the tempo, stubbornly enforcing the original tempo will put the conductor out of sync with the orchestra. The conductor must respond to the change and deftly guide the orchestra back to the intended pace.

Likewise, the leader's job is to shape, influence and guide — which means listening and responding. For instance, a musician may suggest an interpretation of a piece that the conductor has not considered. Being receptive to compelling ideas — wherever they come from — and asking questions is critical to successful digital leadership.

3. MODERN LEADERS PRACTICE "MANAGED EMPOWERMENT."

A central competency of today's leader is the practice of "managed empowerment." Rather than mandating a predetermined direction for the team, the leader shapes team context and course-corrects when necessary. Leadership today requires fostering an environment of shared purpose and trust, in which employees feel comfortable proffering ideas and taking risks. By encouraging collaboration and initiative, leaders empower teams to drive decision-making autonomously. In a recent Skillsoft/HR.com survey, 70 percent of respondents said that decision-making is often now distributed across functions and job roles.[7] Progress no longer hinges on a leader's approval of every action.

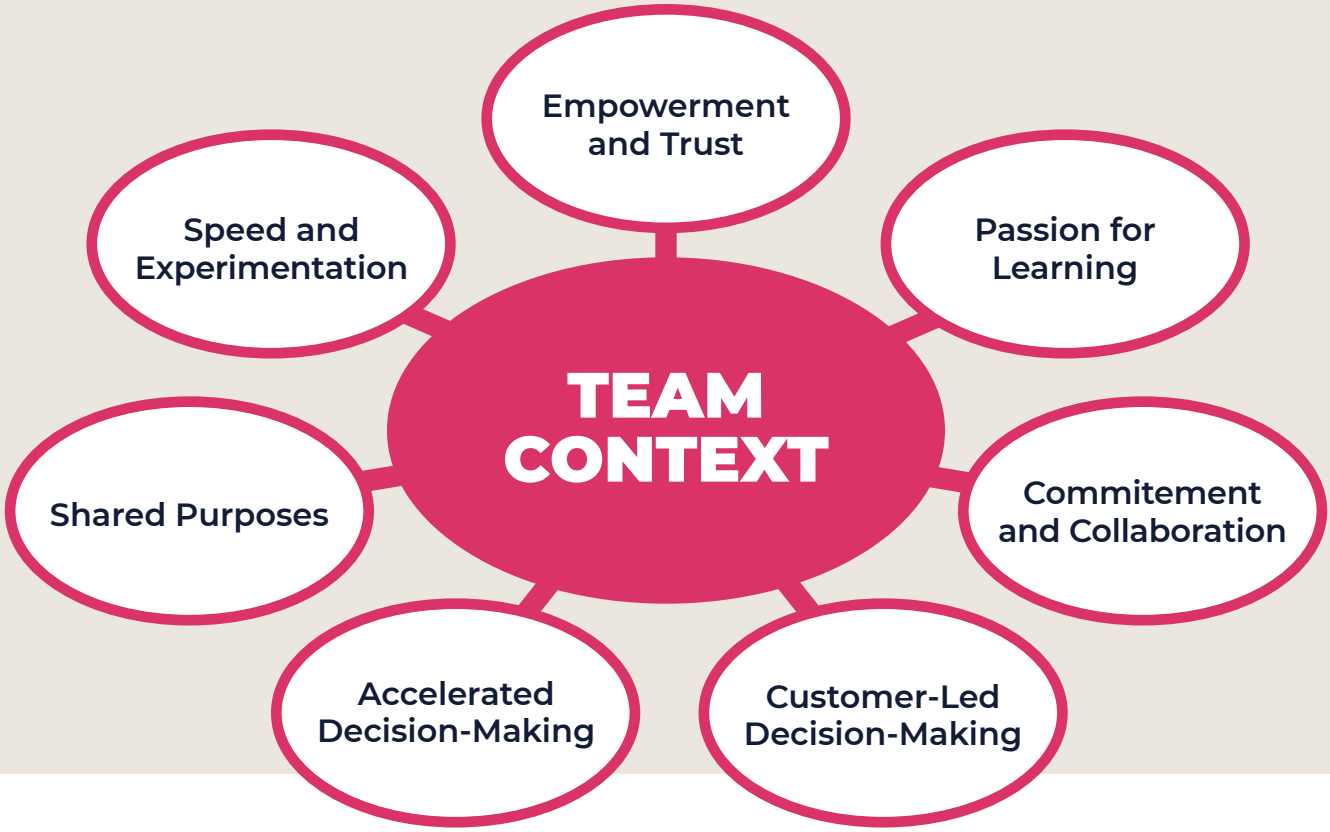
LEADERS WHO CLING TO MICROMANAGING ALIENATE TALENT, IMPEDE INNOVATION, AND ULTIMATELY LOSE GROUND TO MORE AGILE COMPETITORS.

70% of HR and L&D professionals think that decision-making is now distributed across job roles

[7] *"Revamping Leadership Development." HR.com, 2018.*

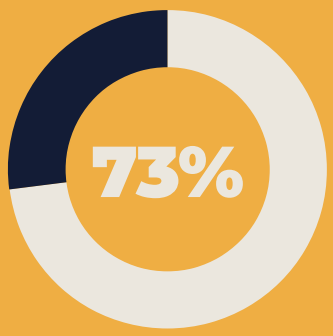
Leaders who cling to such micromanaging alienate talent, impede innovation, and ultimately lose ground to more agile competitors.

A LEADER'S CRITICAL TASK: CREATE A CONTEXT OF "MANAGED EMPOWERMENT"



4. THE SUCCESS OF A LEADER IS MEASURED BY INNOVATION, NOT SIMPLY EXECUTION.

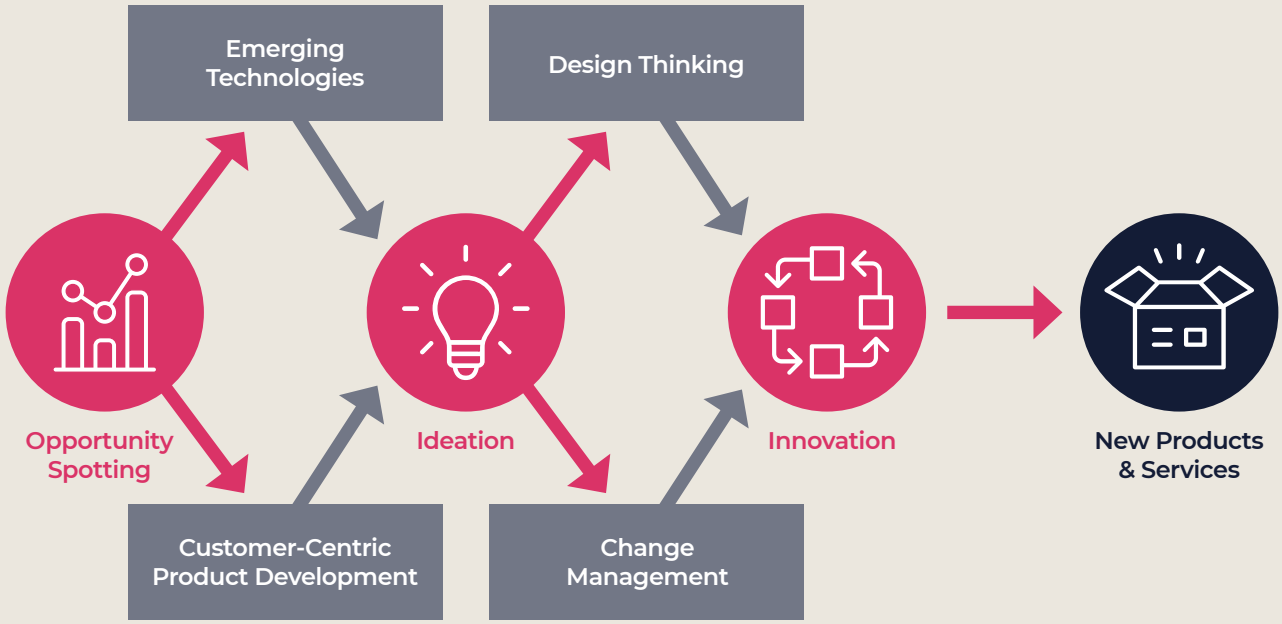
The leader's mission has evolved from simply overseeing execution to empowering innovation. Technology has disrupted and ultimately upended traditional business models. In a 2017 Fortune survey, 73 percent of responding CEOs cited the rapid pace of technological change as their greatest challenge.[8] Disruptors are gobbling market share. Consumer expectations are rising. Companies are feeling the pressure to release new products and services at an ever-accelerating pace. Business survival hinges more than ever on the ability to rapidly and repeatedly innovate.



73% of CEOs say the rapid pace of technological change is their greatest challenge

[8] *"Fortune 500 CEOs See A.I. as a Big Challenge." Alan Murray, Fortune, 2017.*

DIGITAL LEADERS DRIVE INNOVATION



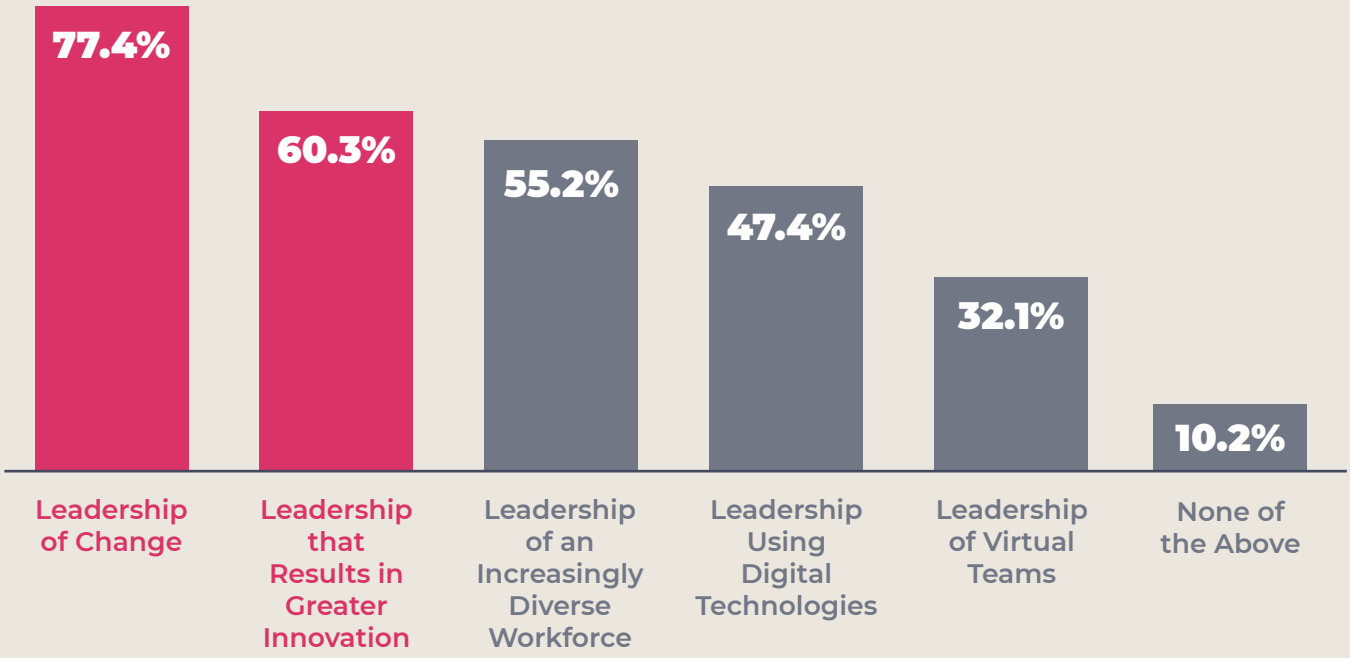
With this increased focus on innovation, leaders must learn to recognize trends, identify opportunities and embrace promising ideas. They need their eyes on emerging technologies and their ears open to customer feedback. Beyond simply adopting the latest software fads, digital leaders need to develop the ability to appreciate and understand the potential of leveraging new technologies like AI, machine learning, RPA, and big data. By encouraging experimentation and keeping a pulse on external trends, leaders position themselves on the frontlines to effectively support the organization's strategic agenda. Innovation is crucial in an constantly changing competitive landscape.

HR and L&D professionals recognize this: Our recent Skillsoft/HR.com survey found that "leadership of change" (77 percent) and "leadership that results in greater innovation" (60 percent)[9] were the two most necessary skills for effective, modern leadership.

[9] *"Revamping Leadership Development," HR.com, 2018.*

LEADERSHIP COMPETENCIES ARE CHANGING

Q: Which of the following leadership skills are growing in importance in your organization? (Select all that apply)



Results of a 2018 HR.com/Skillsoft survey

5. TRAINING DIGITAL LEADERS REQUIRES NEW MINDSETS, NOT JUST SKILLSETS.

THERE IS A MISMATCH BETWEEN WHAT BUSINESSES NEED FROM LEADERS AND HOW WE ARE DEVELOPING THEM.

The traditional leader's cultivated strengths are incompatible with the modern team. While we're still teaching leaders how to command a room and delegate tasks to execute their plans, many traditional leadership skills are no longer expressed the same way in the contemporary workplace. There is a mismatch between what businesses need from leaders and how we are developing them to meet those needs.

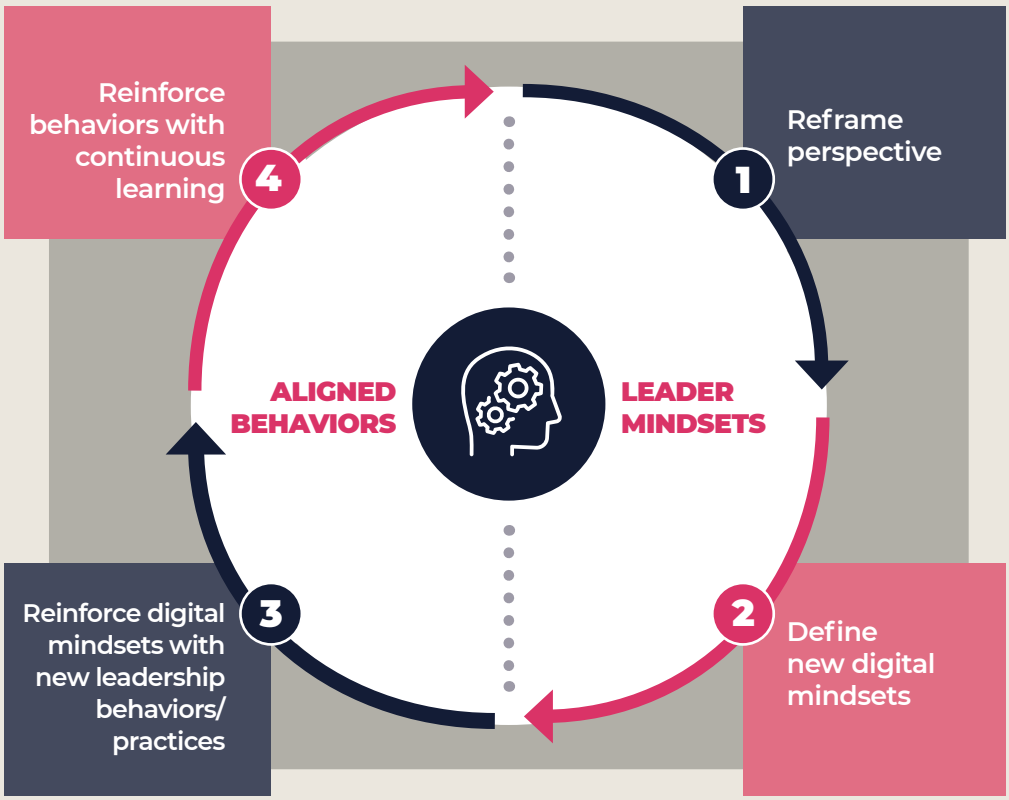
Developing effective leaders today necessitates a change in mindset. Teaching skills alone will not suffice. Skills enable actions, while mindsets provide context for those actions. A master-level chess player needs to know more than how to move the pieces on the board; she must understand the implications, exercising foresight and strategy. Skillsets are one-dimensional; mindsets are contextual. Leaders' mindsets inform their actions and allow them to act and react in ways that drive innovation.

These mindsets unlock the lateral thinking needed in times of change, uncertainty and ambiguity. They encourage innovative behaviors—which, in turn, reinforce expansive mindsets. While a skill may be learned once, a mindset must be regularly strengthened through continuous learning.

Investing in continuous, contextual leadership development yields dividends. A McKinsey study concludes:

An important piece of the puzzle is enhancing the ability of leaders to adapt to different situations and adjust their behavior (something that requires a high degree of self-awareness and a learning mind-set). Leaders with these attributes are four times more prepared to lead amidst change [emphasis added].[10]

DEVELOP AND REINFORCE DIGITAL MINDSETS IN LEADERS



KEY MINDSETS FOR MODERN LEADERSHIP

- Agility
- Learning
- Experimentation
- Customer-centricity
- Resiliency
- Diversity

DIGITAL MINDSETS UNLOCK THE LATERAL THINKING NEEDED IN TIMES OF CHANGE, UNCERTAINTY AND AMBIGUITY.

[10] *"What's missing in Leadership Development?" McKinsey, August 2017 Quarterly.*

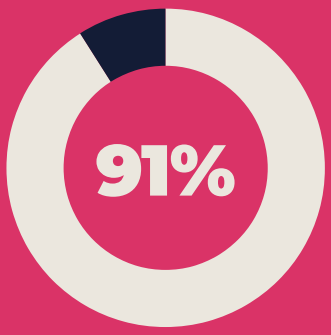
6. LEADERSHIP IS DEMOCRATIZING.

Work is done in teams — many of which are ad hoc, project-based and cross-functional. It's therefore imperative to develop leaders at all levels of an organization. But this isn't a process that starts from scratch; it's already happening organically. As organizations shift from siloed hierarchies to flatter networks, members of mission-driven teams are stepping up to guide and influence. Instead of awaiting direction from above, informal leaders shape the progress of teams they, de facto, already lead. These employees are acting as leaders despite lacking formal leadership titles or designation. In our Skillsoft/HR.com survey, 91 percent of respondents agreed that these informal leaders can be more effective than formal leaders.[11] The nature of agile teams gives rise to a new model of leadership: The Incognito Leader.

THE NATURE OF AGILE TEAMS GIVES RISE TO A NEW MODEL OF LEADERSHIP: THE INCOGNITO LEADER

A top-down leadership development strategy no longer makes sense when leadership is naturally emerging at levels well below the executive ranks. Harnessing this organic trend, some companies are actively "democratizing" their leadership programs. They're spreading leadership development training more evenly across all levels of the organization, rather than concentrating solely on more senior executives. To build their bench of talent for emerging leadership needs, these companies are increasingly preparing individuals at all levels with foundational leadership training.

There's robust evidence to support this movement. A McKinsey study found that companies enacting a broad leadership development strategy are six to seven times more likely to see success than those who limit the reach of their programs.[12] Our Skillsoft/HR.com survey found a strong correlation between democratized leadership programs and overall company performance: The training of leaders at all levels is more than four times as common in well-led organizations than in poorly-led organizations, and these well-led organizations are more than twice as likely to have above average, or far above average, financial performance.[13]



91% agree that informal leaders can be more effective than formal leaders

4x

Democratized leadership training is four times as common in well-led organizations than poorly-led organizations.

2x

Well-led organizations are over two times as likely to have superior financial performance.

[11] *"Revamping Leadership Development," HR.com, 2018.*
[12] *"What's missing in Leadership Development?" McKinsey, August 2017 Quarterly.*
[13] *"Revamping Leadership Development," HR.com, 2018. The study designated organizations as "well-led" if their employees agreed or strongly agreed that their leaders were effective. The study designated organizations as "poorly-led" if their employees did not agree that their leaders were effective.*

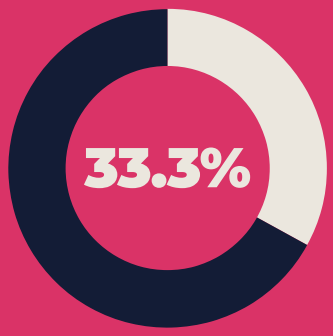
The unfortunate reality, however, is that in most companies, the lion's share of leadership development budgets is still reserved for executives and senior managers.[14] Only one-third of organizations surveyed have a well-developed training program that reaches all or most levels of employees.[15]

As the exigency of effective leadership across all levels becomes clear, more organizations will adopt a democratized model of leadership training; already, 61 percent of HR and L&D professionals think that leadership development will become more democratized in their organizations over the next three years.[16]

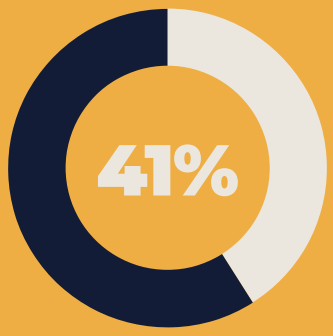
The L&D challenge, then, is scaling leadership programs to a much broader audience. Given that many companies rely on instructor-led classroom training, this may be cost-prohibitive. To circumvent this barrier, however, more organizations are turning to eLearning to scale effectively at an acceptable cost. And it's producing results: Our Skillsoft/HR.com research found that well-led organizations are 41 percent more likely to use eLearning in leadership training than poorly-led organizations.[17]

eLearning technology also meets employees' increasing expectation that learning be available on demand and integrated into their workflow. As Brandon Hall Group's research asserts, for leadership training to be impactful, "how the content is delivered is just as important as the content itself. The solution needs to be efficient, effective and engaging."[18]

Learning platforms are becoming more intelligent, enlisting predictive analytics to identify specific skills and behaviors training, suggesting for instance, a first-time manager curriculum to an employee who has just been promoted. In addition, the micro-learning component of eLearning significantly changes the nature of leadership training, shifting it from sporadic and time-intensive to a continuous practice — which serves to reinforce learned behaviors and mindsets on a daily basis.



One-third of organizations have mature, democratized training programs for leaders



Well-led organizations are **41%** more likely to use eLearning in leadership training than poorly-led organizations.

[14] *"Revamping Leadership Development." HR.com, 2018. Survey respondents estimated that executives and senior managers receive about 41% of leadership development resources.*
[15] *"Reinventing and Democratizing Leadership Development." Brandon Hall Group, 2018.*
[16] *"Revamping Leadership Development." HR.com, 2018.*
[17] *"Revamping Leadership Development," HR.com, 2018.*
[18] *"Reinventing and Democratizing Leadership Development," Brandon Hall Group, 2018.*

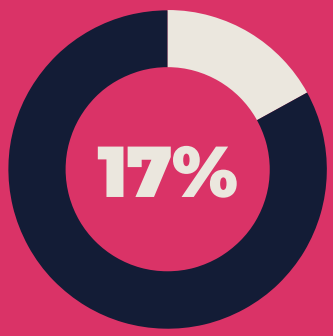
3 WAYS TO TAKE ACTION

1. Develop your talent on their way to the top: Don't wait until employees become managers to develop them as leaders. Building your bench is crucial to strategic succession planning — and developing employees is critical to retaining them. It's also far easier to mold behaviors and mindsets than it is to change them. Reach a broader base and do it earlier in the process. Remember: High-potential employees are often already acting as informal leaders of teams. Give them the tools to be effective now, so they can more seamlessly step into formal leadership titles in the future.

GIVE HIGH POTENTIALS THE TOOLS TO BE EFFECTIVE LEADERS NOW, SO THEY CAN MORE SEAMLESSLY STEP INTO FORMAL LEADERSHIP TITLES IN THE FUTURE.

2. Teach coaching: While many managers excel at organizing the work that needs to be done, they may not intuitively know how to develop their people. Coaching allows managers to help their employees reach their goals by establishing rapport, identifying performance gaps, and using questioning and listening techniques. It's becoming increasingly crucial to retaining top talent, creating a culture of innovation and growth, and realizing the value of a workforce.

Coaching is a highly effective leadership skill, yet it was the lowest-rated skill in our Skillsoft/HR.com leadership survey. Only 17 percent of respondents rated their leaders as "high" or "very high" in coaching skills.[19] Adding the element of coaching into a leadership program itself measurably improves outcomes: A study by McKinsey found that successful leadership development programs were five to six times as likely to involve senior leaders acting as mentors and coaches.[20]



17% rate their leaders' coaching skills as "high" or "very high"

3. Instill critical mindsets, especially a growth and learning mindset: For leaders to learn new skills and recognize possibilities, they first need to embrace a growth mindset. Ineffective leaders often have fixed mindsets, acting on tried-and-true methods rather than taking risks. But competing in the modern age demands leaders who take risks and learn from mistakes, adapting and iterating to achieve success. Effective leaders acknowledge that they don't have all the answers and are constantly in learning mode.

Adopting new mindsets requires continuous learning and reinforcement through modeled behavior — and this sustained effort is essential to effective leadership today. By developing modern mindsets in your leaders, you develop opportunity-spotters and opportunity-creators.

SUCCESSFUL LEADERSHIP DEVELOPMENT PROGRAMS ARE

5 TO 6

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[19] *"Revamping Leadership Development," HR.com, 2018.*
[20] *"What's missing in Leadership Development?" McKinsey, August 2017 Quarterly.*

THE HERO LEADER HAS EXITED THE STAGE

The digital age mandates a new model of leadership. In an ever-changing competitive landscape that demands exponential growth, innovation has become the leader's chief objective. Finding the next big idea — and then doing it again and yet again — requires diversity of thought. The data bears this out: Diverse thinking results in better financial performance, providing a competitive advantage also known as the "Diversity Bonus."[21] Directive, top-down, Hero leadership stifles creativity and impedes innovation. The nature of leadership must change to fit the team-based architecture of work.

Just as teams can be temporary, leadership can be ad hoc, as well. Employees at all levels need the ability to lead when the situation calls for it. Facing the rapid pace of change, companies must now depend on leadership from within their ranks to guide cross-functional teams towards solutions. This lateral model of leadership is agile and cannot wait for orders from on high. Organizations need to encourage this movement towards informal leadership by equipping all employees with the competencies — and mindsets — to lead.

The rise of agile teams and Incognito Leaders cue the final curtain for the traditional, industrial-age leader. This is the age of the "capital T" Team, supported by capable, flexible leadership. Consequently, the audience, delivery method, and substance of leadership development programs need to change. To bolster business sustainability in this new reality, we must reshape leadership development to match the demands of the digital age. It's time for the Hero Leader to take a bow and exit the stage.

DIRECTIVE, TOP-DOWN, HERO LEADERSHIP STIFLES CREATIVITY AND IMPEDES INNOVATION. ORGANIZATIONS NEED TO ENCOURAGE THE MOVEMENT TOWARDS INFORMAL LEADERSHIP BY EQUIPPING ALL EMPLOYEES WITH THE COMPETENCIES — AND MINDSETS — TO LEAD.

[21] *"Diversity brings boost to profitability." Financial Times, 2017.*

ABOUT THE AUTHORS

HEIDE ABELLI

Heide is Senior Vice President of Skillsoft's training and development content and is also responsible for its Leadership & Business Skills content portfolios. She joined Skillsoft in 2016 and is responsible for driving innovation across all content areas with primary responsibility for leadership and business skills.

Heide has extensive experience in the publishing, media, educational technology & corporate training sectors. She has developed award-winning eLearning products in the leadership and business skills content areas, including interactive simulations, video-based courses, case studies and experiential learning solutions.

Heide is passionate about leveraging technology to improve the practice of management. She is also a thought leader in the areas of training and development and management and leadership. She has been quoted in numerous publications including Forbes, The Economist, CLO Magazine, HR Drive, Business Insider, INC, Deal Crunch and Learning Solutions, to name a few. She is also a frequent participant in panel discussions and presenter at leading industry conferences. Because Heide has also held leadership roles in product development, innovation and product management at Fortune 100 companies, she has her finger on the pulse of what organizations need to train and develop today's leaders, especially in a digital economy.

Heide holds an MBA with distinction from Harvard Business School and is on the faculty of the Management and Organization Department of Boston College's School of Business. She was recently awarded a Top 50 Women in Technology award by The National Diversity Council.

ABOUT SKILLSOFT LEADERSHIP

skillsoft leadership

CLICK TO VIEW COURSE SAMPLE: LEADING THROUGH CHANGE

The award-winning Skillsoft Leadership Development Program addresses the changing way in which organizations need to develop their leaders by providing a scalable, cost-effective, and engaging leadership development experience designed for the modern, digital learner.

The courses support the 30 critical competencies for leading in the digital economy, including:

- **The Agile Leader: Perseverance and Flexibility**
- **Leading Virtually**
- **Leading Innovation**
- **Leading Through the Challenge of Change**
- **Embracing Diversity in Leadership**

A unique learning design and scenario-based pedagogy set the Skillsoft Leadership Development Program apart from all others. Skillsoft's innovative approach leverages leader protagonists throughout the curriculum, including a "leader mentor." Through compelling drama and pragmatic storytelling, Skillsoft models the critical human-interaction elements of leadership and demonstrates effective leadership strategies within the team context, allowing learners to tie learning to on-the-job leadership behaviors and mindsets.

Learners also benefit from a wide array of tools and application resources, including reflection questions, knowledge checks, post-course assessments, facilitation guides, leader-led activities and exercises. Additionally, close to 800 carefully curated video-based assets, books, book summaries, audio books and expert-authored content extend the learning.

ABOUT SKILLSOFT

Skillsoft delivers online learning, training, and talent solutions to help organizations unleash their edge. Leveraging immersive, engaging content, Skillsoft enables organizations to unlock the potential in their best assets — their people — and build teams with the skills they need for success. Empowering 36 million learners and counting, Skillsoft democratizes learning through an intelligent learning experience and a customized, learner-centric approach to skills development with resources for Leadership Development, Business Skills, Technology & Development, Digital Transformation, and Compliance.

Skillsoft and SumTotal are partners to thousands of leading global organizations, including many Fortune 500 companies. The company features three award-winning systems that support learning, performance and success: Skillsoft learning content, the Percipio intelligent learning experience platform, and the SumTotal suite for Talent Development, which offers measurable impact across the entire employee lifecycle.

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