Leadership in the Digital Era
Summary of Key Survey Results, September 2023

How can we prepare leaders to succeed in a digital world? To address this urgent and important question, the Leadership Initiative of Harvard Business School has conducted a series of studies to ascertain the essential mindsets, behaviors, and skills of those in leadership positions today. The research team includes the Faculty Chair of the Leadership Initiative, Professor Linda A. Hill, joined by a small team comprised of two Executive Fellows at HBS, Ann Le Cam and Sunand Menon, Research Associate Lydia Begag, and the HBS Leadership Initiative team, comprised of Karina Grazina and Letty Garcia. To supplement ethnographic research and executive roundtables on digital transformation and leadership, the team worked with Melissa Velez, Elizabeth Kernan, Karin Parodi, and Christopher Nave of HBS Research Services as well as HBS Executive Education to survey executives across the globe. The first survey was administered in 2021 and the second in January of 2023. To date, we have collected responses from over 4,500 people.

This report shares a snapshot of our findings from the most recent survey. Nearly 3,000 executives completed it, and the majority of respondents were Board, C-Suite, or Vice President level leaders. About 60% worked in organizations with 1,000 or more employees, in a broad range of industries in just over 100 countries.

We are early in the data analysis process, and in the coming months, we will be sharing our insights and recommendations based on further analyses of our quantitative and qualitative data. It is important to note that because of the timing of our data collection, we did not ask or hear much from our survey respondents about generative AI. However, generative AI was a major topic of the executive roundtables we conducted in the spring of this year. In the coming months, we intend to initiate research on the evolving impact of generative AI on the requirements for effective leadership.

We thank you for your participation. We hope the information below, **based on preliminary analyses of self-reported data**, is helpful.

============================== How long does the digital transformation journey take? ==============================

5% reported working in a company that was "born digital."

98% of respondents indicated that their organizations were undergoing digital transformation, including some of those leading "born digital" companies.

56% had been on their digital transformation journey between 1 and 5 years.

There is a relationship between the length of a company's digital transformation journey and the reported progress. Respondents made it clear that there were no "quick wins" with digital transformation, and that, given that new technologies continue to emerge, it is a "never-ending" process.

In the survey, we defined **digital transformation** as "the evolution of the organization's processes, systems, or talent to fully leverage the possibilities offered by digital technologies, including big data, analytics, and artificial intelligence."

============================== Who leads the digital transformation effort? ==============================

The effort was most frequently led by

- o the CEO **(21%)**
- o a cross-functional team **(15%)**
- o the CIO (Chief Information Officer) **(14%)**
- o the CTO (Chief Technology Officer) **(13%)**

Respondents reported more progress when their CEO led the digital transformation effort.

======== **What are the primary focus areas of the digital transformation process?** ========
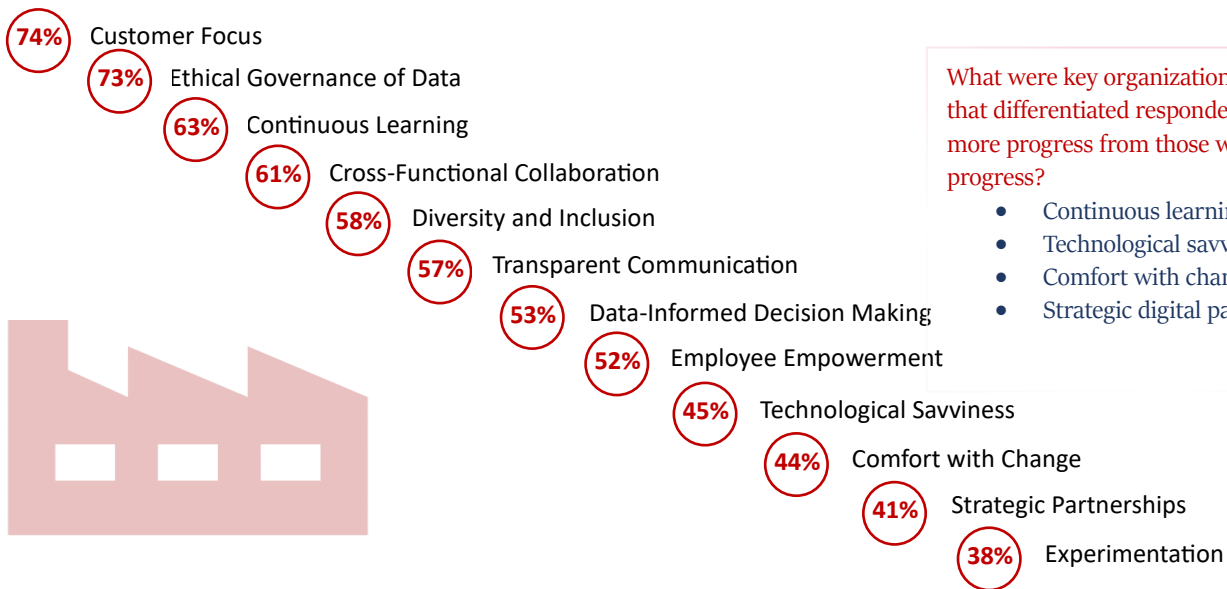*(indicated by respondents as "very" or "extremely" important)*

- Data Management **(89%)**
- Customer Experience **(85%)**
- Process Efficiency **(84%)**
- Technology Infrastructure **(83%)**

The results suggest that the focus areas shift over the course of an organization's digital transformation. In the first 5 years, the primary focus areas are more likely to be "technology infrastructure" and "process efficiency." After 5 years, more strategic areas like "cultural transformation" and "strategic digital partnerships" become more prevalent.

Among those reporting more progress, it appears that "cultural transformation," "building an ecosystem of partners," and "developing a new business model" were "very" or "extremely" important focus areas.

======== **How often were these organizational characteristics reported?** ========
(indicated by respondents as characteristics demonstrated "often" or "always")

74% Customer Focus
73% Ethical Governance of Data
63% Continuous Learning
61% Cross-Functional Collaboration
58% Diversity and Inclusion
57% Transparent Communication
53% Data-Informed Decision Making
52% Employee Empowerment
45% Technological Savviness
44% Comfort with Change
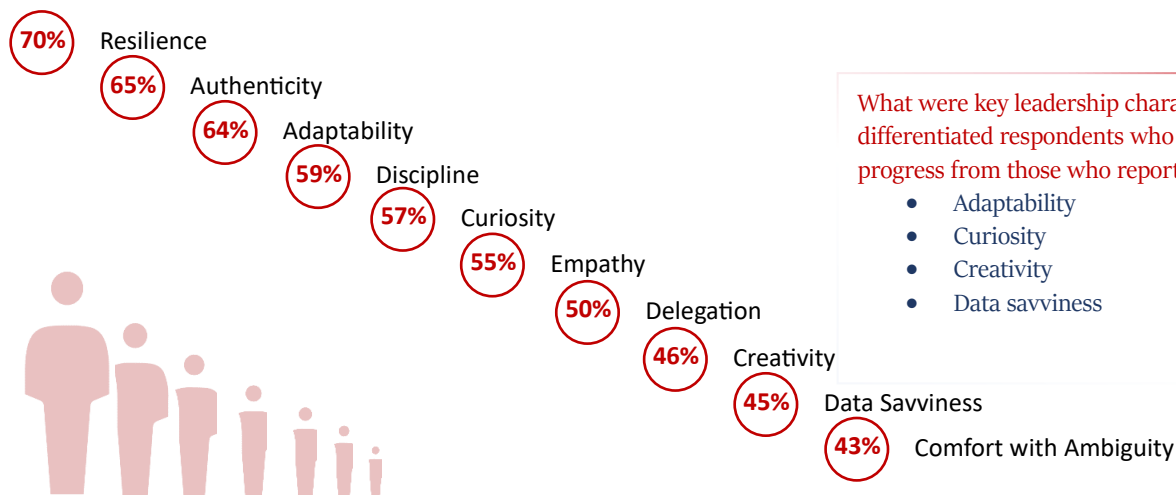**41%** Strategic Partnerships
38% Experimentation

What were key organizational characteristics that differentiated respondents who reported more progress from those who reported less progress?
- Continuous learning
- Technological savviness
- Comfort with change
- Strategic digital partnerships

======== **How often were these leadership characteristics reported?** ========
(indicated by respondents as characteristics demonstrated "often" or "always")

70% Resilience
65% Authenticity
64% Adaptability
59% Discipline
57% Curiosity
55% Empathy
50% Delegation
46% Creativity
45% Data Savviness
43% Comfort with Ambiguity

What were key leadership characteristics that differentiated respondents who reported more progress from those who reported less progress?
- Adaptability
- Curiosity
- Creativity
- Data savviness

=============== **What is the perceived impact of digital transformation?** =============

(perceived as "significant" or "extreme" impact):

Most changed organizational activities:
- o Customer Focus **(69%)**
- o Use of Data and Analytics **(68%)**
- o Cross-Functional Collaboration **(65%)**
- o Decision-Making **(63%)**

Least changed organizational activities:
- o Recruitment Practices **(44%)**
- o Performance Reviews **(42%)**
- o Internal Promotions **(35%)**

Respondents indicated that digital transformation has had the least impact on talent management activities.

=============== **How has digital transformation impacted leadership time and attention?** ===============

(reported "significant" increase in leadership time and attention)

- o Use of Data and Analytics **(42%)**
- o Customer Focus **(37%)**
- o Cross-Functional Collaboration **(36%)**
- o Continuous Learning **(34%)**

Respondents who indicated their leaders focused more time and attention on a certain activity of the digital transformation process also perceived more impact on that activity.

=============== **How impactful is the use of innovation labs or corporate accelerators on the digital transformation process?** ===============

42% of respondents reported that they had an innovation lab or corporate accelerator.

59% of these respondents perceived that the innovation lab or corporate accelerator had either a "significant" or an "extreme" impact on driving digital transformation at their organization.

=============== **How do leaders spend time with "digital natives"?** ===============

(indicated by respondents as time spent "often" or "always")

- o Informal Interactions **(70%)**
- o Collaboration on Projects **(69%)**
- o Formal Meetings **(64%)**

In the survey, we defined a **"digital native"** as "a person who has been familiar with digital tools and the internet since childhood, having grown up in the era of widespread use of digital technology."

36% of the respondents on the survey self-identified as being a "digital native."

Respondents reported spending less time with digital natives in activities such as "leadership team meetings" or "strategic planning activities," which might suggest that digital natives are less likely to be included in more executive or strategic decision-making. When asked how often leaders relied on reverse mentoring from a digital native for their leadership development **53%** of the respondents indicated they did so "often" or "occasionally."

We observed that respondents seemed optimistic and confident in the progress they are making on their organization's digital transformation journey. When asked how confident they were in the preparedness of their organization to respond to the next digital shock, 33% of respondents indicated feeling "extremely" or "very" prepared. An additional 47% indicated feeling "somewhat" prepared, while only 18% indicated feeling "not very" or "not at all" prepared.

We believe our survey data may not have captured the full impact of the most recent technological advances, like Generative AI. In our most recent roundtables in Spring 2023, Generative AI dominated the conversation; it was described as a "digital shock" to which few felt they or their organizations were prepared to respond.

When asked on a more personal level how prepared leaders felt to deal with new challenges related to digital transformation, survey respondents indicated feeling confident in their ability to build "connection[s] to their employees" and to adapt their personal "communication style[s]." On the other hand, they were grappling with how to develop a "digital presence" and lead in the face of a perceived "loss of control."

Looking Forward

As we continue to analyze both the quantitative and qualitative data we have collected to date, we want to thank those of you who completed our survey. We are grateful for your willingness to share your experiences and insights with us. The Harvard Business School Leadership Initiative and our partners look forward to continuing our collaboration with executives worldwide. As we prepare to conduct our next phase of research, we are committed to answering your questions and playing our part in preparing you to fulfill your ambitions for your organizations, communities, and the world.

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