Chapter 5
Leadership Competencies for Digital Transformation

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ABSTRACT

Leadership competencies are the knowledge, skills, and abilities that leaders must possess to perform their jobs proficiently. The current existing literature on leadership competencies is mainly focusing on "generic" competencies, such as: accountability, managing diversity, delegation, and decision making. Such competencies are no doubt important, yet, in the era of the digital transformation (DT), organizations require revolutionary changes to sustain themselves and remain competitive. The key drivers behind those changes might be surging customer expectations, engaging people with digital transformation, facing unprecedented competition, or even coping with exponential technological development. Those changes call for strong leadership at the helm to lead this digital transformation impactfully, however, leadership competencies required to lead DT are still unclear. Does classical leadership competencies holds true for those leaders who are leading digital transformation? Are those competencies enough to lead DT initiatives in organizations? This chapter seeks to answer those questions.

INTRODUCTION

Being provoked by Industrial 4th revolution, "Digital Transformation" (DT) should not be perceived only as technological change, since it causes also fundamental changes in organizations, thus disrupting organizational processes. Such changes call for strong leadership to drive this transformation, and will have implications on current and future leadership practices. However, leadership Competences that are required to lead digital transformation impactfully are still unclear (Imran et al., 2020). The so-called "digital leaders" are expected to act flexibly and rapidly in organization structures, and to be able to manage DT of the organization. Since many countries and organizations are still in the beginning of their digital transformation, there is a lack of a common understanding of digital leadership (Klein, 2020).

The digital revolution has changed the work environment because it has made information more available, and less costly (Jakubik & Berazhny, 2017). An organization embrace digital transformation

for many reasons; such as developing and sustaining competitive advantages in a globalized world, or dealing with technological changes in a highly competitive market (Frankenberger et al., 2020). Such changes bring forward the need for a different kind of leadership. Digital transformation (including Big Data, Social Platforms, Artificial intelligence, Blockchain, etc.) is today's business trend (Bharadwaj et al., 2013).

Digital transformation is about gaining innovation and absorbing digital knowledge to improve value creation and organizational capabilities (Schiuma et al., 2022). For this reason, analyzing successful DT initiatives is essential provided considering people's and organization's competences. Particularly relevant are the leadership competences, which impact organizational and individual behavior. In the digital age, companies require leaders who are capable of fostering transformation towards digital era (Schiuma et al., 2022). Existing literature on leadership competences needed for digital transformation has mostly focused on technical jobs such as chief digital officers or chief technical officers, who mainly initiate and lead digital transformation programs in their organizations.

Leadership literature, however, have neglected the context of leadership practices. For example, Bolden and O'Regan (2016, 438) wrote that "digital technology has significant implications for leadership theory, practice, and development that, as yet, remain largely unexplored in mainstream of academic literature". Another deficiency is the lack of empirical studies that explores the key Competences of functional-level leaders, who actually implement DT in practice. Therefore, the main objective of this chapter is to address those research deficiencies by focusing on implications of the digital transformation on recent and future leadership practices. The chapter will also explore the key Competences required for functional-level leaders to lead DT impactfully in organizations.

BACKGROUND

The terms digitization, digitalization, and digital transformation are often used as synonyms when referring to an organization's evolution into the digital era. Digitization, is the act of changing a process from analogue to digital while maintaining the process itself. In comparison, digitalization is the process of moving to a digital business model and generating new revenue streams by leveraging digital technologies. Digital transformation refers generally to any change related to transformation to the digital age, and thus broadly represent both digitization and digitalization.

Digital transformation (DT) can be defined as "the reinvention of a company's vision, organizational structure, strategy, processes, capabilities, and culture to match the evolving digital business context" (Dunkle & Gurbaxani, 2019). It is also defined by Vial as "a process that aims to improve an entity by triggering significant changes to its properties through combinations of information, computing, communication, and connectivity technologies" (2019, 3).

Digital transformation is becoming a hot topic for companies worldwide (Mazurchenko et al., 2019). Fenech et al. (2019) claim that digital transformation results in changes of business structures and operations by utilizing the benefits of new technologies. It is a process that aims to improve organizations by triggering significant changes to their properties through combinations of information, computing, communication, and connectivity technologies (Vial, 2019). Moreover, digital transformation enables organizations to develop collaboration, innovation, enhanced customer experience, and new streamlining business operations. Yet, it require organizations to take company-wide changes to transform culture, structure, strategy, and business processes (Sainger, 2018). Hence, digital transformation is not just

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