

## Amit Mukherjee: seven principles shaping digital strategy and leadership

Brian Leavy

**T**he digital revolution, now in full swing, is unleashing a whole new wave of innovation and wealth creation, transforming markets and competitive landscapes right across the global economy. Not only are digital networks and Artificial Intelligence dramatically reshaping the external context for business. The new digital technologies-driven era is also fundamentally changing the nature of work and organization, as we have come to know them, with major implications for what it will mean to lead effectively in this radically different business environment.

In his new book, *Leading in the Digital World: How to Foster Creativity, Collaboration and Inclusiveness*, leadership expert, Amit S. Mukherjee identifies seven principles that together help to define the new context for work, organization and leadership, offering a valuable template for corporate leaders everywhere seeking to understand the new leadership imperatives of the digital age and why the new era “calls for a new kind of leader – one who emphasizes creativity, collaboration and inclusivity.”

The seven principles are:

1. Digital technologies reduce, or eliminate, the value of an elite group’s skills or knowledge and enable – and may even require – the automation of its work.
2. Digital technologies augment the capabilities of less-skilled people, enabling them to undertake tasks they couldn’t earlier.
3. Digital technologies enable – and may even require – work to be distributed over time and geography.
4. Digital technologies enable – and may even require – work to be increasingly thought-driven instead of being muscle-powered.
5. Digital technologies create needs that aren’t predictable and/or add disproportionately great value.
6. Digital technologies expose organizations to radical transparency, which may – or may not – benefit them individually, or their networks or society at large.
7. Digital technologies interact with, and affect, an organization’s external environment.



Prof. Amit S. Mukherjee

He is Professor of Leadership and Strategy at Hult International Business School at its Cambridge, Massachusetts, campus, and he formerly held a similar position at IMD, a leading European business school. Prof. Mukherjee also has extensive strategy and leadership consultancy experience. His previous publications include the highly regarded *The Spider's Strategy: Creating Networks to Avert Crisis, Create Change and Really Get Ahead* (FT Prentice Hall, 2008). His interviewer is Brian Leavy, emeritus professor of strategy at Dublin City University Business School ([brian.leavy@dcu.ie](mailto:brian.leavy@dcu.ie)), and a *Strategy & Leadership* contributing editor.

**Strategy & Leadership:** In your book *Leading in the Digital World*, you identify the seven “principles” differentiating this technology era from all previous ones in ways which are radically changing the context for leadership. What was your reasoning?

**Amit Mukherjee:** Contrary to popular belief, leadership ideas aren’t immutable. Every few decades, transformative technologies reshape work and organizational structures and profoundly change them. For example, for most of the 20th century, technologies that assessed human work created narrow tasks which were performed within rigid silos. With complete power over work, most leaders, including renowned CEOs, routinely bullied people. In the decades after WWII, the Japanese realized that quality technologies that upskill work weren’t effective without empowering leaders who guided cross-functional teams. Western companies reluctantly followed a mere three decades ago.

The new principles I identified describe digital technologies-driven changes. Six address the nature of work, while the seventh addresses organizational structures. In addition to creating powerful strategies, they explain changes in leadership norms that began emerging recently at companies like Johnson & Johnson, Daimler and Salesforce.

Consider the distribution of work. Traditional leadership models implicitly assume largely co-located people who work within one company and belong to one of a few known cultures. Inspiring them, therefore, requires encouraging the good commonalities and discouraging the bad.

In the digital world, essential work is done worldwide by people who don’t meet in person. They work for different companies and belong to different cultures and nations. IBM has R&D centers working on cognition in six very different countries. Airbus and its partners create key parts in multiple locations. Consultants assemble project teams from far-flung offices.

Now, diversity, not commonality, must drive leadership. Recognizing this under former CEO Sam Palmisano, IBM changed its policy from ignoring differences among peoples to highlighting them to learn from them. Without comparably profound changes, you will lose the very best dissimilar people you employ.

**S&L:** The “profound” change in context reflected in these new principles will, you argue, challenge prevailing assumptions about the nature and role of leadership and you believe that leading for “creativity and synthesis will be more important than productivity and analysis” in the digital epoch. How does that work in practice?

**Mukherjee:** Twentieth century executives didn’t become leaders by creating new ideas, models, products or services. They increased productivity by raising revenues, profits or market share, or arranging mergers reducing expenses, assets and headcount. They used the tools—like segmentation, discounted cash flow analysis and optimization—that business schools taught. A few smart people did creative work. “Real leaders”



created the playpens—with resources, processes and systems—within which the creatives worked.

Today's best known CEOs personally created products or services or unconventional ideas. Well-run companies make major investments to enable stranger-to-stranger contacts within their boundaries, hoping that average employees will develop ideas that become new businesses. Discounted cash flow and optimization are no longer sexy; business schools are scrambling to teach tools and processes that might improve creativity and are setting up their own incubators.

Productivity is still important, but is increasingly yielding center-stage to creativity. This shift is reflected in the principles, one of which addresses cerebral work. Another says unpredictable needs can create disproportionate value. Doing something different creates more value than merely doing something faster and cheaper.

Markets are rewarding this shift. In 1980, six of the top ten companies with the largest market caps extracted oil. In 2018, seven created digital technologies and another used digital technology to power core R&D.

In short, the principles taken together reflect how the new digital epoch is upending the nature of work and organizational structures and, hence, the context for leadership. At their core, these changes enable, even require, leaders to engender creativity – the ability to look past received wisdom and traditional approaches to give form and structure to new ideas.

**S&L:** In shifting their emphasis much more toward “creativity and synthesis” leaders are going to have to become much more inclusive in their approach to hiring and managing talent. Why so, how can this best be done, and what companies are doing it well?

**Mukherjee:** Corporate leadership standards are usually culture-specific and biased in favor of men. They reflect the views of mostly male top executives from a company's headquarters country. Those who don't conform—usually women, most minorities or other nationalities—aren't selected to lead.

In this previous context, leadership education and leadership policies tended to rely on three linked assumptions:

- Most people working together are governed by the common organizational culture, policies, processes and structures of a single company.
- Most employees share a handful of cultural, lingual, religious, racial, and political heritages.
- A company's leadership standards embody the world view of its dominant executives.

The seven principles signal that these assumptions are no longer realistic in the digital era.

Diversity is essential not because of laws, or PR needs or research that links diversity to improved financial performance, but because of digital technologies. Today, discovering and serving unpredicted, unmet needs creates great customer value. A group that can draw on a multitude of lived experiences is more likely to uncover those than a cloistered, self-aggrandizing one.

Now consider some prejudices that limit the distribution of mission-critical talent globally. I recently spent two years teaching at IMD's Singapore campus. I learned that Asian

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executive search firms know that Asian executives will respond to their head-hunter calls because many of their bosses, usually Westerners, likely consider their Asian subordinates unready for promotions. However, many of these Asian firms also tend to lack diversity when it comes to access to the more senior positions. Such biases are asinine because today, talented people who feel disrespected can easily stop contributing intellectually and even walk away.

Such biases can be reduced in many ways. A very few companies strip resumes of identifying gender, minority and age details. Others mandate diversity in candidate panels. In 2015, Salesforce CEO Marc Benioff publicly discussed numerical goals for gender equality. A McKinsey research report also recommended numerical goals.

All these may help, but first we need gender and culture inclusive language in the corporate leadership standards. Otherwise, in the West, for example, it is easy to exclude someone who doesn't conform to the quintessential male Anglo-Saxon standard of a “decisive leader.” Johnson & Johnson spent three years on such a reform effort and Daimler is in the midst of a similar five-year program. The process has started, but is far from complete.

So, while in the past, personal and organizational ethics – and sometimes laws – guided inclusive behaviors, in the digital epoch, while these continue to be important, cerebral, distributed work is making inclusivity an existential imperative.

**S&L:** The most effective leaders in the digital era will have both “T-prime” capabilities and a “collaborative instinct.” Why will such capabilities be so important and how can they best be developed?

**Mukherjee:** The digital world requires executives to have a true collaboration instinct because, typically, no group possesses all the intellectual property necessary to accomplish creative, mission-critical tasks. So, diverse, distributed teams must collaborate. To do so, they must overcome the challenges of unfamiliar jargon, asynchronous communications and cultural differences.

That is not the same as professing a belief in “win-win!” That term has become a meaningless buzzword blithely used even when market-mediated outcomes suffice. If you truly value collaboration, recognize that words matter and don't speak of win-win when it isn't meaningful, nor seek it when it isn't necessary. Leaders with the collaboration instinct seek win-win only where it is essential, and recognize that true collaboration is a strategic choice not an inviolable ethical norm. They may collaborate infrequently, but after selecting their partners, readily bear short-run costs. Since doing what is contractually mandated isn't win-win, they set and enforce high standards.

You can be such a collaborative leader only if relative strangers on a team would risk trusting you. If not, what must you fix? Only you can answer this difficult question. Then, seek a win-win solution only when the honest answers to two questions are “yes”—for both sides: If they walk away, will I suffer? If I walk away, will they suffer? Finally, measure your achievement against what you would have gained without your partner, not against what your partner gained.

In the digital era, the path to the C-suite is changing, and “T-Prime” capabilities will be required to succeed at the highest levels. “T-Prime” leaders are executives that have wide wing spans (broad knowledge) rather than long tails (comprehensive knowledge). In the

words of one of the CEOs interviewed for *Leading in the Digital World*, such leaders can “navigate the in-between spaces that experts avoid” – they have breadth of knowledge and can learn unfamiliar things quickly. This competence more than makes up for the lack of comprehensive expertise. It gives them essential skills to collaborate with others who bring very different knowledge, skills and life experiences to the table.

**S&L:** What additional leadership qualities will executives need to become more effective “champions” of creativity in the digital era, and how can these be best developed?

**Mukherjee:** Many executives believe that their own companies could be like their favorite super-innovative companies simply by imitating their processes and practices. More important is to try to understand the mindsets that underlie those processes. This is what could help them to originate new creativity-friendly processes best fitted to their own companies and situations.

So, which mindsets need changing? The most obvious one is routinely ignored: Stop seeking uniformity! Sure, we need clear rules followed in letter and spirit in many circumstances. But do we really need them everywhere? If so, where is the opportunity for creativity? Second, stop assessing what you must do based on what your competitors do or what worked in the past. Similarly, don’t limit your hiring to schools your bosses and you attended. If you do you are inevitably limiting how your people approach problem solving. Recognize that in the digital world you must primarily be the connector of people and ideas, not their approver or decider. Start by learning to understand that the answer “I don’t know” may be the start of a conversation with a subordinate not a reason to decide they don’t know what they are doing. Unless you realize this you will be punishing the help-seeking and help-giving behavior that organizational creativity desperately needs.

Practicing empathy and resisting the urge to tell rather than to truly listen, are also important. I advise executives to post three words where they can regularly see them: “Unlearn. Rethink. Relearn.” If they are truly courageous, they should ask truth-tellers-to-power to opine on what they, the executives, need to unlearn . . . rethink . . . and relearn.

**S&L:** What advice do you have for executives on how to develop a more effective approach to leading strategically for these radically different times, and how important will becoming a more “values-driven” leader be for this new epoch?

**Mukherjee:** My undoubtedly biased recommendation is: Embed the seven principles in individual and collective thinking. Here’s why: Can you name one commercial or cultural thing that digital technology doesn’t influence? Almost everything today has a technological component. And so, explicitly asking questions like the following can give valuable insights: What’s being or could be deskilled? How is work distributed and why? What work can become more cerebral and to what effect?

Two principles are particularly important. The first is about digital technologies interacting with the environment. Our productivity focused 20<sup>th</sup> century organizations are led mostly for predictable change. Instead, digital technologies can destabilize the world precisely when we expect it to give us infallible control. In milliseconds, not days or weeks or months, small decisions can trigger cataclysmic events halfway across the world. So, while traditional strategy works with best predictions, you must learn to think in terms of scenarios and simulations.

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Principle six, about radical transparency, is also key. We currently have an epidemic of self-inflicted corporate crises. While Facebook has been the focus of brutal—and valid—criticism since its Cambridge Analytica debacle, many companies made the same deal with the devil: “We will sell our customers’ data to make money.” What happened to Facebook could happen to any of them. Their crisis may not make global headlines, but may still grievously hurt millions, as it did at Equifax. This is where your values come in: What deal with the devil is OK? Where will you set your company’s “uncrossable lines?” In a world of distributed work, how will you ensure everyone honors them?

Since the prime mover that drives such digital technology-powered institutional failures is leadership failure, these two principles could well define how history evaluates your leadership. Be aware that you can’t always reliably self-assess your own behavior in the new epoch because the kind of VUCA (Volatile, Unprecedented, Complex, Ambiguous) environment unleashed by the digital revolution tends to facilitate ethical fading by obscuring the impact of bad behavior, as do high stakes incentives. So regularly seeking constructive feedback to offset the risks of diminishing self-awareness and seeking out the right kind of mentor to deliver it to you are also crucial requirements for leadership effectiveness in the new digital era.

**S&L:** Finally, can you summarize the empirical research base on which you draw for many of the insights and advice that you offer in *Leading in the Digital World*?

**Mukherjee:** I started with an extensive analysis into a 21<sup>st</sup> century digital-native business that will touch every human alive: genomic drug discovery. Aided by a senior scientist, executives and consultants, and informed by my own pharma consulting experience and academic papers, I assessed how genomics were changing the drug discovery process. This work led me to identify the principles, which I then tested against conditions in other industries.

I also interviewed mid-tier to C-level executives in the U.S., Europe and Asia. These interviews focused on what attributes and capabilities were essential for a current mid-tier executive to be considered “high potential” in a digital age characterized by the principles.

Finally, 700 mid-tier to very senior executives, whose distribution roughly tracked the location of the headquarters of the 2,000 largest public global companies, responded to a survey. They assessed the principles and answered related questions about how their own company and other companies were responding to them.

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