Visible Leaders Critical for Digital Transformation:
Findings from Digital Pulse Southeast Asia 2017
Digital Pulse is an annual survey conducted by Russell Reynolds to examine how digital might transform organizational requirements, particularly in talent and leadership.

The survey respondents comprised senior executives who work for an organization with a digital strategy so as to gather high-level insights of digital transformation in businesses. In all, the 74 respondents from Southeast Asia made up 38.1% of Asian respondents and 4.6% of global responses.

To deepen our understanding, we compared Southeast Asia to developed players located in North America, Europe and Oceania, in addition to the global level.

**EXECUTIVE SUMMARY**

Southeast Asia differs most from other regions in expectations of top leaders. They are seen as the key hurdle here to broader digital transformation, while CEOs are expected to be visionary and resolute. Respondents seek leaders who set a clear digital strategy for their organization.

In the same vein, leaders are also frequently cited as an impediment to digital transformation, especially when the leadership is seen as lackluster.

Nonetheless, Southeast Asia aligns closely with global organizations in terms of digital outlook. Organizations here are cognizant of the implications of digital technologies in all aspects of business.

In certain areas, Southeast Asian respondents feel that their organizations possess more factors which are agreeable to digital transformation in their businesses. Availability of data and structural barriers are less of an issue, while human capital remains a major impediment to success.

**IMPLICATIONS FOR ASEAN ORGANIZATIONS**

Expertise is not lacking in Southeast Asia, as evidenced by the vibrant startup landscape here. Rather, reservations of digital strategy could be due to leadership style. Russell Reynolds Associates' proprietary research on Leadership Span and Productive Disruptors demonstrate that leadership attributes are as essential as technical expertise.

Top executives here ought to be aware of their role in setting strategies and establishing influence through displaying C-suite differentiators of taking risk and galvanizing others. Those who excel in digitally transforming organizations also display traits of being innovative, disruptive, bold in leadership, socially adept and determined.

*Productive Disruptors* is a RRA whitepaper demonstrating that successful digital transformation leaders are more likely to be innovative, disruptive, bold, socially adept and determined. [http://www.russellreynolds.com/en/Insights/thought-leadership/Documents/Productive%20Disruptors%20Final.pdf](http://www.russellreynolds.com/en/Insights/thought-leadership/Documents/Productive%20Disruptors%20Final.pdf)  
*Leadership Span* is our scientific approach to executive assessment for predicting long-term executive performance. [http://www.russellreynolds.com/about/leadership-span](http://www.russellreynolds.com/about/leadership-span)
Southeast Asian Respondent Demographics

There were 74 respondents from Southeast Asia out of 194 Asian respondents (38.1%) and 1,593 respondents globally (4.6%).

**Executive Level & Functional Area**

- **C-Level Executive**: 42%
- **SVP/EVP**: 22%
- **VP/Director**: 36%

**Industry**

- **Consumer**: 30%
- **Industrial**: 21%
- **Financial Services**: 18%
- **Technology**: 15%
- **Nonprofit**: 7%
- **Healthcare**: 5%
- **Professional & Business Services**: 4%

**Company Size**

- **10,000+**: 43%
- **5,000 - 10,000**: 12%
- **1,000 - 4,999**: 14%
- **250 - 999**: 15%
- **1 - 249**: 16%
The Importance of Leadership in Southeast Asia

Expectation of leaders to be visible leaders.
Southeast Asia places much emphasis on leaders spearheading digital strategies. CEOs are much more likely to be the one setting overall digital vision and strategies in organizations here, followed by the head of functional areas related to digital: marketing, technology and IT.

One prominent difference between organizations here and elsewhere is the lack of a forward-looking team leading digital initiatives. For instance, heads of digital or strategy are less likely to set the digital vision or strategy.

Aside from strategy setting, the majority of respondents also said that CEOs have been the main advocates for the trial or implementation of new digital approaches (73%). This is followed by functional teams most closely associated with digital – marketing, digital and IT – as well as Board of Directors to a certain extent (25%).
Distinct signs of management barriers.

Leadership – or lack thereof – is a significant barrier for Southeast Asian organizations. The management is frequently cited as an impediment to digital, with leadership issues making up 6 of the 11 most significant barriers. Leadership issues which are prominent in SEA but not globally include weak leadership and lack of focus from the leadership team.

**BARRIERS TO CREATING EFFECTIVE DIGITAL BUSINESSES**

<table>
<thead>
<tr>
<th>Barrier</th>
<th>SEA</th>
<th>Global</th>
<th>Management barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational inertia</td>
<td>55%</td>
<td>44%</td>
<td>44%</td>
</tr>
<tr>
<td>Functional silos</td>
<td>53%</td>
<td>49%</td>
<td>49%</td>
</tr>
<tr>
<td>Lack of digital expertise</td>
<td>50%</td>
<td>49%</td>
<td>50%</td>
</tr>
<tr>
<td>Lack of budget</td>
<td>45%</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>Weak leadership</td>
<td>43%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Insufficient management bandwidth</td>
<td>43%</td>
<td>42%</td>
<td>43%</td>
</tr>
<tr>
<td>Poor technology investment</td>
<td>41%</td>
<td>40%</td>
<td>41%</td>
</tr>
<tr>
<td>Lack of customer demands</td>
<td>24%</td>
<td>38%</td>
<td>24%</td>
</tr>
<tr>
<td>Concerns around information security</td>
<td>38%</td>
<td>43%</td>
<td>38%</td>
</tr>
<tr>
<td>Absence of a strategy</td>
<td>35%</td>
<td>38%</td>
<td>35%</td>
</tr>
<tr>
<td>Not seen as important by leadership team</td>
<td>35%</td>
<td>20%</td>
<td>35%</td>
</tr>
</tbody>
</table>
Gaining buy-in from top leaders and across frontline functions.

Cross-functional support and buy-in is a key factor for Southeast Asian organizations embarking on digital change. Respondents rate executive leaders’ and frontline functional teams’ buy-in as being more critical to the success of digital transformations.

In particular, the largest contrast is seen from Southeast Asian respondents being 1.29x more likely to rate the Board of Directors’ support as critical.

FUNCTIONS CRITICAL TO SUCCESS OF DIGITAL TRANSFORMATIONS
Human capital possessing digital skills is a key obstacle.

Aside from higher management, human capital remains a key barrier across all levels. 27% of respondents disagree that their organization has the necessary human capital to define digital transformation, compared to 16% on the global level. Similarly, more respondents in Southeast Asia felt that they lacked people to execute their transformation.

On the other hand, respondents are more optimistic towards their organization’s strengths in other respects. Availability of data and organization structure is viewed as less of a barrier here. Overall, respondents feel that there are fewer impediments when it comes to digital transformations in Southeast Asia than elsewhere.
Digital Awareness in SEA is on Par with the World

Looking outwards, then inwards – not yet forward.
Southeast Asian organizations are more inclined to implement client and consumer-facing technologies. Data is increasingly acknowledged as an essential component of any digital initiative as well.

There is no notable difference in types of digital initiatives between Southeast Asian organizations and their counterparts around the world.

Likewise, innovation appears to be on an incremental level rather than being revolutionary, as the creation of additional business units or revenue is least likely to be a focus for organizations, both here and globally.

FOCUS OF DIGITAL INITIATIVES
Southeast Asian respondents are cognizant of digital trends worldwide. On the question of digital disruption, the majority expect moderate or massive disruption currently and in the next 12 months. This applies across all industries, indicating that disruptions are already occurring – and will continue in the long run.

LEVEL OF DISRUPTION EXPECTED

Globally, companies in all industries expect continuing disruption, but healthcare, financial services and industrial companies are bracing for the greatest change in the year ahead.
Changing organizational structures in the digital chapter.
Organizations are sensitive to current requirements for organizations to adapt to mercurial business environments. Organizational structure, as one factor to enabling transformations, has already been affected, with 73% of respondents seeing changes to their organizational structure.

% ORGANIZATION CULTURE CHANGE TO ENABLE TRANSFORMATION

- **Not at all**: 3%
- **To a small extent**: 24%
- **To some extent**: 41%
- **To a great extent**: 32%
Taking the Lead

It is imperative that top leaders in Southeast Asian firms recognize the need to tweak their leadership style, particularly when embarking on a strategy as revolutionary as digital transformation.

To inspire success, leaders will need to demonstrate evidently their resolve and belief in the project and their people. CEOs will be looked upon as key advocates and drivers of digital transformation.

Digital Pulse is an annual survey conducted by Russell Reynolds to examine how digital might transform organizational requirements, particularly in talent and leadership. The next edition will be released in mid-2018.
Russell Reynolds Associates is a global leader in assessment, recruitment and succession planning for boards of directors, chief executive officers and key roles within the C-suite. With more than 370 consultants in 46 offices around the world, we work closely with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today’s challenges and anticipate the digital, economic, environmental and political trends that are reshaping the global business environment. Find out more at www.russellreynolds.com. Follow us on Twitter: @RRAonLeadership

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