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RESEARCH REPORT

Leadership's Digital Transformation

Leading Purposefully in an
Era of Context Collapse

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Introduction

Digital transformation — as business ideology and enterprise imperative — has won: Serious business leaders worldwide accept that their markets, customers, and workers have gone digital. In our recent global management survey, 93% of workers across industries and geographies affirm that being digitally savvy is essential to performing well in their role. The idea that effective digital transformation delivers agility, adaptability, and customer centricity is now both managerial mantra and leadership inspiration.

In real life, however, effective digital transformations also deliver unforeseen risks and unanticipated costs. Leaders' emphasis on greater efficiency and productivity has provoked a backlash, particularly from a digitally savvy workforce. Digital talent now expects more from leadership than greater flexibility, better compensation, and/or productivity-supporting work environments. Our research suggests that digitally savvy workforces expect digital transformation to better reflect and respect their concerns and values, not just ensure superior business capabilities and opportunities.

These expectations disruptively alter how leaders exert power, influence, and control. The new bottom line: Successful digital transformation demands that leaders measurably transform *themselves*. Efforts to lead digital transformation are unlikely to be effective without a leader's own *affective* digital transformation — one that makes purpose, engagement, and fairness as important to workplace success as data-driven agility and productivity.

This affective rewiring puts a new premium on articulating and committing to corporate values. The COVID-19 pandemic and recent social upheavals starkly highlight this profound shift: Leading digitally savvy workers is as much about prioritizing the *effectiveness of enterprise values* as the *value of enterprise efficiency*. Digital workers want their values, not just their value, explicitly acknowledged — if not publicly embraced — by top management.

For this report, we interviewed several C-suite leaders, including Starbucks CEO Kevin Johnson, Anheuser-Busch InBev (AB InBev) CEO Carlos Brito, Delta Air Lines CEO Ed Bastian, former Best Buy chairman and CEO Hubert Joly, and Purdue University president Mitch Daniels. These leaders understand and embrace the reality that effective digital transformation can't work without their own affective digital transformations.

As Joly observes, "All of us have to rewire ourselves for a new way of leading. What's the purpose of work? What kind of obituary do we want to have? What's our calling? For many years, we cut off our head from our heart and our soul." Brito suggests that his new leadership orientation, which goes well beyond metrics like productivity and efficiency, has been driven as much by perceived necessity as by choice. "I've been CEO for 15 years, and the initial part of my time as CEO was much easier be-

cause it was purely about the business," he says. "You had to deal with your consumers, with your retailers. But now it's broader — it's about sustainability, it's about race, it's about inequality, it's about politics. It's everything."

Our data makes clear that many workers see their organizations falling short on these values-related issues. In our recent global survey of more than 4,000 managers and executives, 72% of respondents strongly agree that it is very important to them to work for an organization with a purpose they believe in, but only 49% strongly agree that they believe in their organization's purpose. Furthermore, only 36% of respondents strongly agree that they believe in their organization's ability to advance its purpose. This "purpose gap" suggests that senior leaders lack credibility when it comes to aligning their organizations around a shared vision. That lack of credibility puts their companies' long-term competitiveness at risk.

Both anecdotal and hard evidence overwhelmingly suggest that talented digital natives bring their own values, norms, and expectations to work. Digitally savvy workers' talent and values appear to be tightly interwoven; obtaining their talent without their values is unlikely. But acquiring their talent and their values creates significant cultural and operational challenges for leadership. If those challenges are not thoughtfully and credibly addressed, that talent will rebel and/or leave.

Leading a digital workforce is also increasingly fraught because technologies have accelerated the blurring of historical boundaries between home and work; the individual and the institutional; and shareholders and stakeholders, employees among them. The global COVID-19 pandemic of course intensified this shift: How many CEOs in January 2020 expected to virtually invite their colleagues into their homes to review operations and improvise strategy?

Leadership within these blurred boundaries is further complicated by *context collapse*: the near impossibility, in a social media era, of intentionally and credibly managing different identities with colleagues, with family, and with friends. This flattening

of multiple identities has disruptive implications for leaders of digitally transformed enterprises. Specifically, context collapse prevents leaders from appropriately customizing messages for different key stakeholders. Pervasive digital platforms make leadership initiatives instantly visible and transparent for all to see. An individual's desire to be experienced as authentic becomes more challenging to satisfy when digital platforms enable different groups to perceive and experience the same message in different ways.

This *MIT SMR*-Cognizant report explains how the expectations of digitally savvy workers are reframing leadership challenges as traditional boundaries collapse. Our evidence is clear and compelling: Leaders can no longer ignore digital transformation's impact on power and accountability dynamics. In a period of polarization — professional and political — which values should leaders prioritize? Which stakeholders should see their concerns get pride of place? This report offers practical and actionable recommendations for successfully leading digitally transformed talent, markets, and industries.

Leading Digitally Savvy Workers: Gaps and Blurred Boundaries

Our survey respondents overwhelmingly agree that successful leadership performance is contingent upon digital competence: 88% state that having a critical mass of digitally savvy leaders matters, to a great or moderate extent, to their organization's ability to win in the future.

This consensus decisively argues that high-performance organizations must cultivate leaders capable of effectively leading a digitally savvy workforce. Digital competence, however, cuts two ways: On the one hand, leading digitally savvy workforces pressures leaders — legacy leaders in particular — to improve their own technical skills to better communicate with and elicit measurably better performance from their people. On the other hand, our research finds that digital workforces expect leaders to explicitly engage with the affective desires and values they bring to work. These include purpose, engagement, and issues surrounding fairness, inclusion, and representation. To be clear, these are not marginal concerns. At some companies, these are actually presented as digital workforce demands.

In other words, more balanced and sustainable digital transformations demand that leaders measurably improve their own performance along those two distinct dimensions. Unfortunately, our research shows that many workers perceive their leaders to be falling short both at engaging affectively with their workers and at developing digital skills for eliciting effective performance. These shortfalls undermine leadership's capabilities and credibility.

Two Leadership Gaps

One surprising finding is that survey respondents don't perceive that their organization is committed to professional development around digital capabilities — for managers and leaders. This cuts directly against the near-unanimous perception that digital savviness is a critical success factor for management. The overwhelming majority of survey respondents assert that their leaders are not prioritizing digital self-improvement.

While it may be true that organizations have bought into the digital transformation aspiration, few workers recognize leaders committing to their own digital talent development.

Not even half of our survey respondents (48%) say their companies create project teams that are deliberately diverse in terms of digital savviness; even fewer (31%) believe their organizations actively monitor or assess whether managers are improving their digital skills. A mere 19% of respondents agree that their organizations have enacted reverse mentoring programs to improve the digital savviness of top management. (See Figure 1, page 4.) While it may be true that organizations have bought into the

FIGURE 1: LEADERSHIP'S DIGITAL GAP

Despite an acknowledgment that digital skills will be critical to an organization's ability to succeed in the future, respondents report their organizations are not actively fostering the development of these skills, particularly among managers.

88%

Having a critical mass of digitally savvy leaders matters when it comes to our organization's ability to win in the future

48%

Our project teams are deliberately diverse in terms of digital savvy

31%

Our organization actively monitors/assesses whether managers are improving their digital skills

19%

My organization has a reverse mentoring system in place to improve the digital savviness of top management
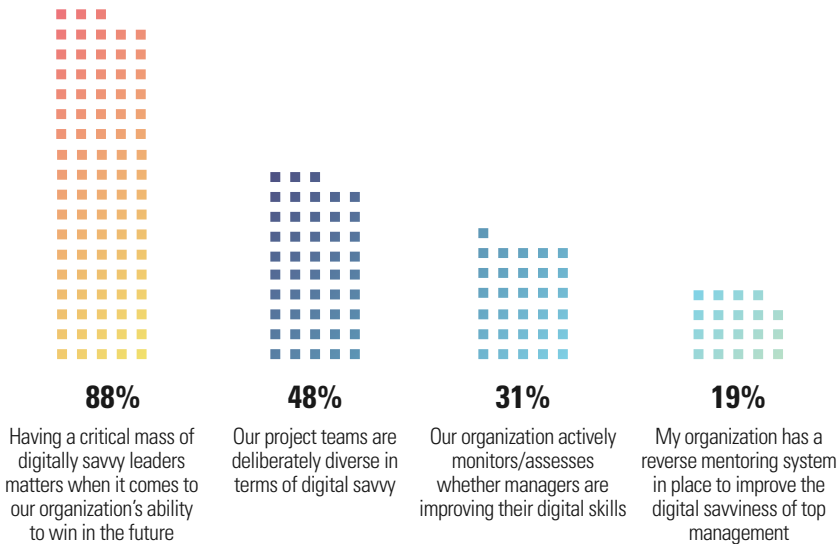
(Percentage of respondents who agree or strongly agree with each statement)

FIGURE 2: THE PURPOSE GAP

While respondents affirm they value working for an organization with a purpose they believe in, only a quarter strongly agree their organization is as purpose-driven as its leaders believe it to be.

72%

Working in an organization with a purpose I believe in is very important to me

49%

I believe in my organization's purpose

36%

I believe in my organization's ability to advance its purpose

25%

My organization is as purpose-driven as its leaders believe it to be
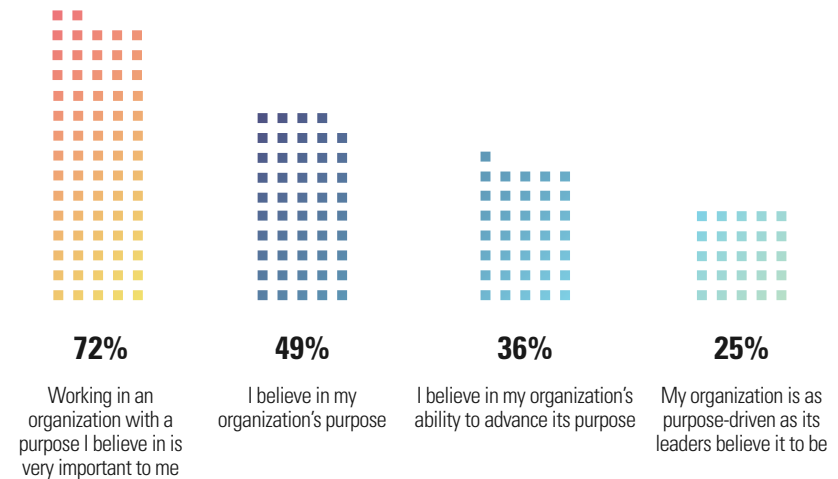
(Percentage of respondents who strongly agree with each statement)

digital transformation aspiration, few workers recognize leaders committing to their own digital talent development.

Workers are similarly skeptical of leaders' professed commitment to purpose. Only 25% of respondents strongly agree that their organizations are as purpose-driven as their leaders believe them to be. (See Figure 2.) To be sure, these unflattering perceptions of leadership may be mistaken or unfair, but they consistently and persistently exist.

Our data suggests that companies that clearly link their purpose and workers' belief in that purpose are significantly more highly rated by their people. Based on respondents' level of agreement with our four survey statements on purpose, we created a purpose maturity index designating respondents' organizations as having high (16.5%), midrange (65.6%), or low maturity (17.9%).

The Purpose Maturity Index
Respondents were asked the degree to which they agree with each of the following statements:

- Working in an organization with a purpose I believe in is very important to me.
- I believe in my organization's purpose.
- I believe in my organization's ability to advance its purpose.
- My organization is as purpose-driven as its leaders believe it to be.

In assessing the statement "Our organization's leaders have the right mindset to embrace the changes we need to thrive in the digital economy," 93% of the high-maturity (strongly purpose-driven) group agree or strongly agree, as opposed to 62% of the overall sample. For the statement "Our organization is building a robust talent pipeline of the leaders we need to thrive in the digital economy," 74% of the high-maturity group agree or strongly agree, as opposed to 41% of the overall sample. Finally, for the statement "Our organization actively monitors/ assesses whether managers are improving their digital savviness," 57% of the high-maturity

group agree or agree strongly, as opposed to 31% overall. (See Figure 3.)

Organizations lacking both strong purpose and a strong commitment to digital development risk having disappointed and ill-equipped leaders and workers. Leaders may be called to account for the perceived imbalances in both their effective and affective digital transformations.

Ray Reagans, the Alfred P. Sloan Professor of Management and associate dean for diversity, equity, and inclusion at the MIT Sloan School of Management, shared a striking example of a leader who realized that he had not done enough to prepare his successor to be a senior leader. While teaching an executive education class for directors of a prominent aerospace company, Reagans discussed the benefits of building diverse personal and professional networks on digital platforms. One director told him, "Ray, I was ready to retire, but you've made me think about the person that I've been grooming to replace me, and he doesn't have the network that he needs to do this job. So I have to stay on and cultivate that network with him."
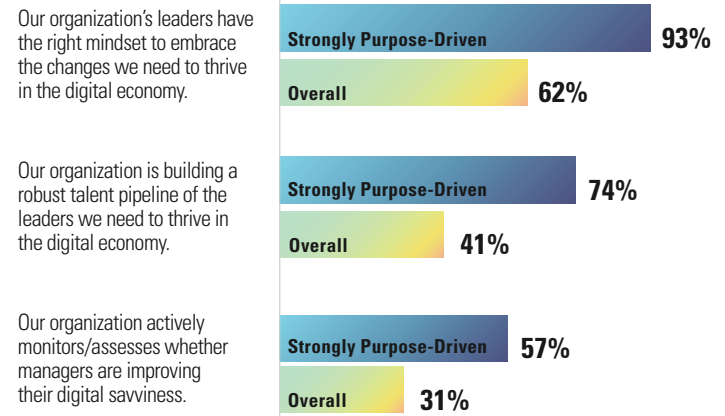
Context Collapse

These leadership gaps are exacerbated by the digital dissolution of boundaries between work and home, between individual and institutional obligations, and between shareholder and stakeholder priorities. Context collapse relentlessly and remorselessly contributes to the dissolution of these legacy distinctions.

A 2011 article by Microsoft researcher danah boyd and Alice E. Marwick highlighted context collapse, which they described as the idea that social media "flattens multiple audiences into one."[1] In an interview for this report, Princeton University politics professor and former social media entrepreneur Omar Wasow further explains context collapse by observing that "what used to be private realms of being able to have one conversation with your friends, another conversation with your family, and a third conversation at work are all increasingly one conversation." This new reality can find leaders, who often thrive on personal connection, attempting to use the same tools and techniques to

FIGURE 3: MORE PURPOSE-DRIVEN ORGANIZATIONS DEVELOP MORE DIGITALLY SAVVY LEADERS

Purpose-driven organizations focus on building leaders' digital skills and mindsets.

Our organization's leaders have the right mindset to embrace the changes we need to thrive in the digital economy.
- Strongly Purpose-Driven: 93%
- Overall: 62%

Our organization is building a robust talent pipeline of the leaders we need to thrive in the digital economy.
- Strongly Purpose-Driven: 74%
- Overall: 41%

Our organization actively monitors/assesses whether managers are improving their digital savviness.
- Strongly Purpose-Driven: 57%
- Overall: 31%

(Percentage of respondents who agree or strongly agree with each statement)

both address vast online audiences and conduct face-to-face conversations with individuals.

While the COVID-19 pandemic has hastened and intensified context collapse, this state of affairs has been a long time coming. As one prescient observer anticipated a decade ago, "You have one identity. … The days of you having a different image for your work friends or co-workers and for the other people you know are probably coming to an end pretty quickly."[2] That observer was Facebook founder Mark Zuckerberg.
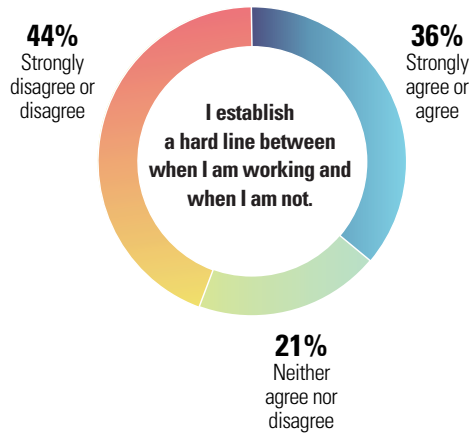
Context collapse imposes a default openness and accessibility on leaders and workers alike. Digital business environments become cyber-conflict battle spaces, potentially weaponizing how leaders engage with workers, represent themselves to external audiences, and are perceived to be accountable to stakeholders. Leaders might be forced to react, formally or informally, to how unintended audiences interpret elements of their digital presence, from controversial retweets to old photos considered offensive. Even in seemingly anodyne circumstances, context collapse compels leaders to rethink how they communicate with and respond to their most important stakeholders, particularly employees.

The next three sections describe how leadership approaches to rebalancing people, purpose, and productivity are digitally transformed by context collapse and other factors.
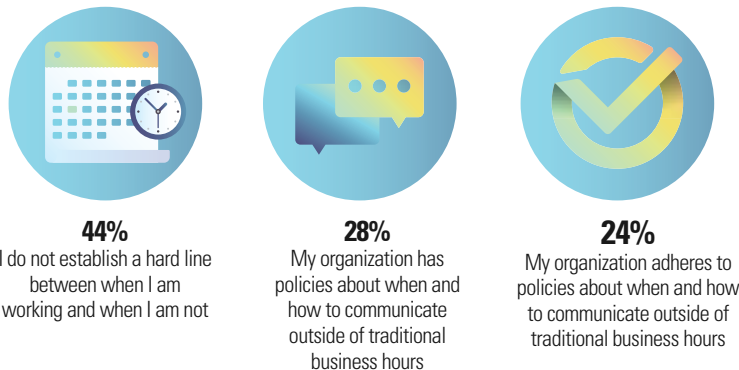
Blurred Boundary No.1: Home and Work

FIGURE 4: BOUNDARIES AROUND WORK HOURS

More workers do not draw a hard line between when they are and are not working.

44% Strongly disagree or disagree

36% Strongly agree or agree

I establish a hard line between when I am working and when I am not.

21% Neither agree nor disagree

(Chart does not total 100 due to rounding)

FIGURE 5: CONTEXT COLLAPSE: HOME AND WORK

More than two-fifths of survey respondents *do not* draw a hard line between when they are working and when they are not, and fewer still work for organizations with policies in place to manage off-hours communication.

44%
I do not establish a hard line between when I am working and when I am not

28%
My organization has policies about when and how to communicate outside of traditional business hours

24%
My organization adheres to policies about when and how to communicate outside of traditional business hours

(Percentage of respondents who agree or strongly agree)

The boundaries between home and the workplace began eroding long before the pandemic. Working from home had already become a nonnegotiable condition for favored knowledge workers and digital talent. The COVID-19 pandemic expedited this trend and effectively — and virtually — razed work/home distinctions. The home office became as Zoomed and Slacked as the corner office. Only 36% of survey respondents say they establish a hard line between when they are working and when they are not. (See Figure 4.)

This is less an unexpected consequence of a singular event than a culmination of an irresistible force, observes Ben Waber, president of people analytics software provider Humanyze. "Work's been shifting that way over time," he says, "but the pandemic completely obliterated any barrier between home and work life."

Our survey data suggests that most companies have yet to formally address this erosion between the personal and the professional. Only 28% of respondents agree that their organization has policies about when and how to communicate outside of traditional business hours. Fewer still (24%) agree that their organization actually adheres to these policies if they do in fact exist. (See Figure 5.)

In the absence of formal policies, leadership actions speak louder than words. "You get leaders who will say, 'I don't want you burning out, so I don't want you to answer emails after 6 p.m.,'" Waber says. "And then they'll send emails at 11 p.m. because obligations outside of work come up during the day, which of course causes everybody on the team to disregard what they said and copy that behavior, because clearly that is what is actually expected." For leaders in context-collapsed business environments, command and control may have diminishing returns, but self-command and self-control merit a premium. Command and control hasn't gone away — rather, it's become personal.

Leadership is now predominantly experienced by workers via digital realms; alignment around purpose

and affirmation of values depends on how authenticity, transparency, and accessibility are digitally understood. Fiona Blades, president and chief experience officer at data and analytics company MESH Experience, says communication is the "one thing leaders can't do too much of. You absolutely have to be taking people along with you — your team, your clients. You need to be out there talking about your vision and why it's going to be important in the world."

But authenticity in context-collapsed business environments is riskier and more fraught than it used to be. Kim Scott, author of 2017's *Radical Candor*, observes that "the dynamics in today's environment make Radical Candor more difficult." She describes a female marketing strategist who named her strategy Rolling Thunder. Her colleague, a white man, said he was afraid to let her know that Rolling Thunder was also the name of an American-led bombing campaign during the Vietnam War: He didn't want to be called out for "mansplaining." Perhaps, Scott acknowledges, "Radical Candor might be riskier for him today than it would have been a few years ago. But even today it is still riskier for underrepresented employees than it is for white men. Radical Candor makes organizations more effective, so the point is to make it equally safe for everyone."

For leaders intent on cultivating an authoritative persona, demonstrating authenticity demands that they show vulnerability. Former Best Buy chairman and CEO Joly insists that "the only way you can build connections is if you make yourself vulnerable." That represents a substantial shift in mindset because, in his words, "to be successful, CEOs were supposed to be superheroes who save the day by figuring out the answers. I now believe that superheroes belong in movies, not in business."

AB InBev's Brito largely agrees. "I am very punctual, and the other day I showed up 20 minutes late to a meeting with my people. Never happened before in my life," he recalls. "And they laughed and applauded, and I was like, 'What do you mean? I'm late.' And one guy said, 'No, it's

great because we see that you are a normal guy. It's not only us that will make mistakes like this, but you do it as well.' I was surprised by their reaction, to tell the truth. I think everybody became more human in this experience." Brito's vignette, however, was conveyed less with a sense of pride than self-discovery. He was surprised that he was seen as somewhat fallible by his people. This was authenticity by happenstance, not design.

Joly and Brito both suggest that a commitment to a more open style of leadership is not only unavoidable but increasingly desirable: Technology requires and enables more authentic connections between leaders and workers.

Leadership behaviors like transparency and authenticity are especially important in steering a company through a crisis. Airlines have been among the hardest-hit industries during the COVID-19 pandemic. Delta's Bastian stresses having a consistent, persistent, and open higher-bandwidth presence. "The aspect of my leadership that I've never taken for granted but have really had to lean on is the relationship directly with our people," he says. "They need to see me, to hear my voice, to watch my body language. I've had to overemphasize communication through technology. I've been holding weekly town hall sessions on video since March. I try to keep them as candid and transparent as possible. Because with so much uncertainty, with so much conflicting information out there, people need to look me in the eyes

and understand, is this a person that I can trust to lead us through this crisis?"

Bastian's commitment to corporate values goes beyond the perfunctory: Unlike American Airlines and United, Delta has, at this writing, avoided involuntary furloughs by offering buyouts, early retirement, and temporary leave. The strategy has been to be direct and forthcoming while allowing — and encouraging — employees to choose their own paths forward.

As president of Indiana's Purdue University, Daniels, too, has been leading his organization during a particularly challenging period. During the past year, colleges and universities have been forced to grapple with no-win decisions related to whether or how to continue in-person learning during the pandemic.

Daniels, a former governor of Indiana, has long cultivated a more open and authentic leadership style. During the pandemic, he has relied heavily on a series of simple, direct, and folksy videos aimed at the entire school community or at subsets, whether students, faculty, or parents. These videos have presented not a remote figure in crisis, but somebody already well known for personal accessibility around campus. "I've always thought it was really important to be very accessible," he says. "Until the virus came, I was in the gym with the students three or four times a week. I go eat in the dining courts and the co-ops and the sororities. I'm in the student section at the games, out with the faculty and the students a lot." Daniels observes that his style of leadership meant that the Purdue community already knew him, which he hopes helped them trust in the safety of his plan to reopen the university despite the ongoing health risks, and join in making the plan work effectively.

The immediate crisis of the pandemic will pass, but leadership questions around physical versus digital presence and accessibility will remain. Greatly altered contexts demand new thinking about organizational culture and processes. How should open-door policies that might have been straightforwardly managed in in-person settings be offered virtually? What should accessibility and responsiveness mean in digital environments? Should managers virtually "drop in" for a

chat? What response times to email queries and text requests are appropriate? Should that be set by policy or reflect an organization's culture? Do blurred work/home boundaries call for better top-down rules or greater bottom-up empowerment? Organizational values — organizational leadership — matter more in this environment. Rather than being rhetorical, these are real questions serious leaders struggle with every day.

Blurred Boundary No. 2: Individuals and Institutions

Adam Rapoport, *Bon Appétit*'s editor in chief and a 20-year Condé Nast veteran, was forced to resign after photos of him and his wife in brownface at a Halloween party from years earlier surfaced on social media.[3] A sincere but inflammatory tweet supporting Hong Kong protesters by Daryl Morey while serving as general manager of the Houston Rockets ignited a disruptive and costly controversy involving China, the NBA, and several of the league's highest-profile stars.[4] Coinbase CEO Brian Armstrong, after declaring that his company would be apolitical, faced — ironically but appropriately — an instant social media backlash. His response: offering a buyout to any worker unhappy with his insistence upon a politics-free workplace devoid of what he called "internal strife."[5]

Examples are legion: Context collapse ruthlessly and relentlessly injects social and political considerations into business environments where productivity was once the commanding priority. Digitally driven cultural conflicts exert increasing influence throughout enterprise ecosystems, entangling leaders, employees, consumers, and investors — virtually all of an organization's key stakeholders.

"The personal is political" is a phrase that defined and redefined the culture of the 1960s. Twenty-first-century digitalism goes further: The personal is political is social is cultural is economic is institutional, all at once. Even the most charismatic and digitally savvy leaders can't escape the consequences of context collapse. Many surveyed managers don't trust that

their leadership has the right mindset to achieve success. Only a fifth of survey respondents — 22% — strongly agree that their organization's leaders have the right mindset to embrace the changes their organization needs to thrive in the digital economy.

Enterprise debates over effective diversity, equity, and inclusion (DEI) initiatives illustrate the point. Where many companies view DEI issues through a narrow compliance and human resources lens, our research suggests that effective, digitally savvy leaders engage with these issues more broadly. They strategically connect DEI action to performance, purpose, and culture.

As Aubrey Blanche, global head of equitable design and impact at software company Culture Amp, suggests, "When we're perceived as being treated unfairly, it impacts our executive functioning, and it impacts our sense of loyalty. Executives shirk their fiduciary duty to shareholders by continuing to treat people — disproportionately those from historically marginalized backgrounds, but lots of people — in unjust, unfair ways. We can draw very clear lines to reduced individual productivity."

Princeton's Wasow adds, "It's very easy to get distracted in our current culture by ethnic slurs or somebody doing something inappropriate. If you're a leader of an institution, what matters a lot more than individual incidents are the systematic processes in your organization that may be reproducing inequality."

Seeing human networks as the essential unit of analysis linking the individual and institutional offers a data-driven path to meaningful and measurable diversity, suggests MIT Sloan's Reagans. Every employee and associate has connections with others, he observes, and "we should be visualizing those networks to give us insight into our own privilege, our own connects and disconnects."

For example, when networks include people who are not ordinarily linked or connected to one another, he notes, they tend to excel at creative problem-solving. Networks are structures that can explicitly link individual ambitions with enterprise aspirations.

"We should be visualizing those networks to give us insight into our own privilege, our own connects and disconnects."

– Ray Reagans, Alfred P. Sloan Professor of Management and associate dean for diversity, equity, and inclusion, MIT Sloan School of Management

"If you were to ask people to think about networks on their own, they would just think in terms of the people they knew," Reagans says. "People need to be provided opportunities to work with those who are different from themselves. Even if people have different expertise, if you put them together long enough, pretty soon they'll come to a joint way of seeing a problem. You need disconnects in social networks to maintain a wider array of approaches to solving a problem." Reagans and Blanche see these disconnects as DEI opportunities for leaders.

Taking DEI seriously also means monitoring and adjusting language that can impede more inclusive behaviors. Blanche cites the term *culture fit* as language that primes the listener to reject difference. *Culture add*, on the other hand, frames difference as "a desirable and valuable thing."

Organizations with a stronger orientation to purpose are significantly more likely to make diversity and inclusion a top management priority, our data affirms. Our survey was conducted in June 2020, when protests following the death of George Floyd were roiling the nation; at that time, 64% of respondents strongly agreed or agreed with the statement "Diversity and inclusion practices are a top management agenda item" at their organization. Forty-nine percent agreed or strongly agreed that their organization's project teams are deliberately diverse in terms of gender. When looked at in terms of our purpose maturity index, however, the figures are more revealing. Eighty-four percent of those whose organization scores high on our purpose maturity index agree that diversity and inclusion practices are top management priorities, as opposed to just 37% of the low-maturity group. Similarly, 68% of the high

scorers agree that their project teams are deliberately diverse in terms of gender, as opposed to just 35% of the low-maturity group. (See Figures 6 and 7.)

FIGURE 6: DIVERSITY AND INCLUSION ON THE TOP MANAGEMENT AGENDA

More purpose-driven organizations are more than 2x more likely to prioritize diversity and inclusion efforts.

**Diversity and inclusion practices are a top management agenda item.**

84%	66%	37%
Strongly Purpose-Driven	Moderately Purpose-Driven	Weakly Purpose-Driven
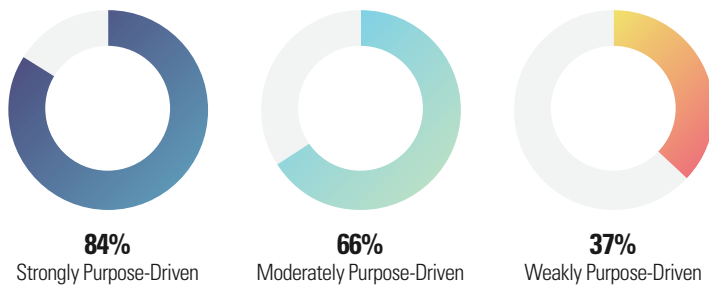
(Percentage of respondents who agree or strongly agree)

FIGURE 7: MORE PURPOSEFUL ORGANIZATIONS ARE MORE LIKELY TO BUILD GENDER-DIVERSE PROJECT TEAMS

Strongly purpose-driven organizations are nearly twice as likely than weakly purpose-driven enterprises to assemble gender-diverse project teams.

Our project teams are deliberately diverse in terms of gender.

68%	49%	35%
Strongly Purpose-Driven	Moderately Purpose-Driven	Weakly Purpose-Driven
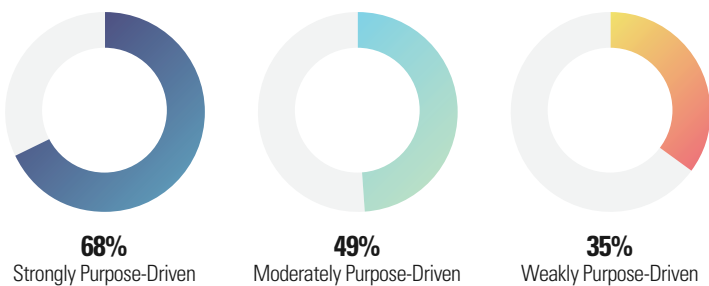
(Percentage of respondents who agree or strongly agree)

Mutual Mentorship

Digital transformation creates new opportunities for cross-generational discovery and development.

Huw Jennings, academy director of the Fulham Football Club, notes that even as a data-driven approach to analytics continues to transform the global sport, it is younger players — not the older managers — who truly effect sustainable change. "I think one thing that is unquestioned is that however much coaches and sports leaders may think they change the sport, actually it's the players who do so, in my view," Jennings notes. He observes that players are cutting their own footage on their own digital platforms and using that as a mechanism to develop their own learning from and understanding of the game — sometimes with the coach's support, and sometimes directly from their own analysis and evaluation. That's a technological change that dictates the way in which the team operates and works. "The most successful managers adapt," Jennings says.

Indeed, ongoing digital transformation guarantees that seniority and experience frequently diverge. Fewer than half of our survey respondents (49%) agree or strongly agree that their project teams are deliberately diverse in terms of age. Several of our interviewees, however, emphasized the importance of reverse mentorship or mutual mentorship.

"The future of leadership is all about mutual mentorship. The best leaders are great learners," says Chip Conley, hotelier, former Airbnb executive, and founder of the Modern Elder Academy. That transformative message has yet to take hold among most organizations. While 71% of our survey respondents believe that younger employees are better than older employees at getting value from digital assets at their company, only 19% say that their organization has a reverse mentoring system in place to improve the digital savviness of top management. (See Figure 1, page 4.)

Revealingly, respondents whose employer is among those with the highest scores on our purpose maturity index are twice as likely to say that their company

has a reverse mentoring system as those that score in the midrange of the index. They are seven times as likely to agree that their organization reverse-mentors than those that score in the bottom range of our purpose maturity index. (See Figure 8.)

Employees of all ages and generations crave greater authenticity and respect from their leaders. "To be authentic without having any vulnerability is not really being real," says Conley, adding that leaders must learn "how to be confident and vulnerable, because these are not mutually exclusive." That requires mutual trust and respect. Without those qualities, neither effective nor affective mutual mentorship can work.

With reverse mentorship, leaders open themselves up to discovering those qualities in others. Admittedly, it isn't easy to do. "Someone can feel like an idiot because they need help to understand Slack," Conley observes. Several executive interviewees tout reverse mentorship as a system of making vulnerability intentional.

As MESH Experience's Blades acknowledges, "If you are a very senior person, you might just want what you need immediately: 'Can you just sort that out for me?' You rely on other people at a more junior level in your team to be the whizzy ones."

That strategy, however, will enjoy only short-term effectiveness. "If you want to be part of the workplace," Blades says, "you need to be embracing digital transformation." Reverse mentorship at scale signals a strategic embrace of leaders' vulnerability and capacity to learn.

Blurred Boundary No. 3: Shareholders and Stakeholders

At Apple's 2014 shareholder meeting, one attendee challenged CEO Tim Cook over whether the company's substantial sustainability investments advanced shareholder returns. After a heated back-and-forth, Cook remarked, "When we work on making our devices accessible by the blind, I don't consider the

FIGURE 8: PURPOSE-DRIVEN ORGANIZATIONS FOCUS ON REVERSE MENTORING

Strongly purpose-driven organizations are 7x as likely to have reverse mentoring programs in place than their weakly purpose-driven counterparts.

My organization has a reverse mentoring system in place to improve the digital savviness of top management.

42%	**19%**	**6%**
Strongly Purpose-Driven	Moderately Purpose-Driven	Weakly Purpose-Driven
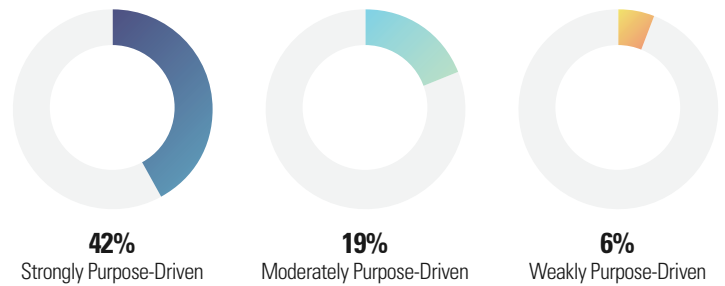
(Percentage of respondents who agree or strongly agree with each statement)

"The future of leadership is all about mutual mentorship. The best leaders are great learners."

– Chip Conley, founder, Modern Elder Academy

bloody ROI." The company does "a lot of things for reasons besides profit motive," he said. "We want to leave the world better than we found it."[6]

Cook's remarks sharply communicated his belief that Apple's stakeholders — including employees, customers, and suppliers, not to mention the broader community — merited as much care and attention as its shareholders. That sensibility explained leadership's commitment to environmental concerns, worker safety, and other areas with uncertain financial benefits. Even at the annual shareholder meeting, maximizing shareholder value would not be the exclusive consideration.

In the years since, more companies have moved away from shareholder primacy. In 2019, the Business Roundtable, in a reversal of its long-held view, declared that a corporation's purpose is to create

value for all its stakeholders, not just its shareholders. Even in an era of shareholder activism, market valuation is not the default leadership priority.

Balancing a broad array of stakeholder interests unambiguously complicates and challenges leadership. Purpose alternately rivals and complements profit as an enterprise priority. Organizations — especially leaders and boards — are publicly pushed to articulate what value is being created beyond profit. Workers' digitally driven activism — inside the enterprise and out — further highlights competing stakeholder concerns.

In context-collapsed markets, leaders must make special efforts to coherently and consistently align communications and actions. Transparency is the new default: Messages intended for one stakeholder will invariably be seen by others — sometimes instantly. Whereas 20th-century leaders were once warned to imagine how their company memos might be read if they appeared on the front page of *The New York Times*, 21st-century executives must actively weigh the reputational risks of context-collapsed messages going viral on Instagram, YouTube, TikTok, and/or Twitter.

A coherent consistency is both an imperative and a constraint: What's said to investors will almost instantly be heard by employees, and vice versa. Nuance and tone — in understandable efforts to politely placate specific stakeholder concerns — beget mixed messages, which invite conflicting interpretations.

> ### "On their own, citizens and governments can't overcome the challenges that we face … The only way we can overcome that is together, with citizens, governments, and businesses uniting for the common good."
>
> – Kevin Johnson, CEO, Starbucks Corporation

The executives we interviewed agree not only on the importance of purpose as a principle but on the need for the company's purpose to drive its business operations. That said, values — just like stakeholders — can conflict. Artfully aligning competing values becomes as important as diplomatically aligning competing stakeholders. "It's imperative to make money, but it's not the corporation's purpose," notes Joly, formerly with Best Buy. Purpose, he insists, must be to "contribute to the common good, and it has to be central to the activities of the company."

Starbucks' Johnson adds, "On their own, citizens and governments can't overcome the challenges that we face, whether it's the environment, racial injustice, or creating equity and opportunity. The only way we can overcome that is together, with citizens, governments, and businesses uniting for the common good." A well-articulated set of values guides consistent decision-making. The shareholder-driven value of efficiency gives way to the stakeholder-embracing effectiveness of values. Articulating how to best balance that values portfolio increasingly commands leadership focus and concern.

"There may be opportunities to make money that you've declined because they are inconsistent with your values," adds Princeton's Wasow, who has been a keen observer of the dynamics of context collapse as both a social media entrepreneur and a social scientist. Google, Amazon, and Microsoft have each had to defend contracts with the oil and gas industries in the wake of criticism from environmental activists and their own employees; Google eventually stated that it will not build custom AI tools for the use of the extraction of fossil fuels.[7] These types of conflicts are increasingly unavoidable. Given that, it will benefit organizations to have rules or principles in place to help navigate them.

Modern Elder Academy's Conley says that "in its best form, purpose serves an editing function" — one that helps leaders "distill down to the essence of what is important about your organization."

Defining a purposeful stakeholder sensibility drove Delta's Bastian to spend a year collaborating with senior leaders to create a unifying corporate "anthem."

STARBUCKS' PURSUIT OF PURPOSE

In mid-January 2020, as the scale of the COVID-19 pandemic was becoming clear, Starbucks CEO Kevin Johnson realized that the company would have to begin shutting down locations in China and sending employees — who the company calls partners — home. Starbucks' corporate purpose — "to inspire and nurture the human spirit — one person, one cup, and one neighborhood at a time" — may sound lofty. But as Johnson became aware that the rapidly spreading virus had the potential to affect all 32,000 stores in 82 markets worldwide, his first step was to use this purpose to formulate on-the-ground principles in which to anchor decisions going forward. "How do we do this in a way that's true to our mission and values? I came up with three simple things," he recalls. "No. 1 is to prioritize the health and well-being of our partners and customers. No. 2 is to support local health officials as they work to contain and mitigate the virus. And No. 3 is to show up in a positive and responsible way in every community we're part of."

An earlier crisis had prepared Johnson to lean on the transparency and trust he considers foundational to his leadership. In 2018, after two African American men in a Philadelphia Starbucks were arrested on suspicion of trespassing, the company apologized, shut down its U.S. stores for a day of racial-bias training, and later made a customized anti-bias curriculum and the results of an internal civil rights audit publicly available. In 2020, Johnson hosted open forums for partners in the wake of the killings of Ahmaud Arbery and George Floyd.

The CEO doubled down on this commitment to openness as Starbucks navigated the pandemic. Johnson appeared in twice-weekly video broadcasts to update partners throughout the crisis. He anticipated stakeholders' concerns and ensured that the company addressed them directly. Partners were reassured that they would still receive paychecks and benefits while at home. Shareholders were kept well informed on the company's borrowing and liquidity and its overall financial health. The company's mobile app kept customers updated on safety protocols at reopened stores. Finally, it informed communities that it would be supporting front-line workers with free coffee.

"Maybe earlier in my career I wouldn't have rejected Milton Friedman's premise that the sole objective of managers of businesses is to maximize profit," Johnson says. "But I reject that today." He notes that Starbucks wants to create equity and opportunity for all of its workers and that it takes its environmental objectives around carbon, water, and waste "every bit as seriously as we do our financial growth plan."

Johnson is convinced that the challenges society faces will require business, government, and communities to work together. He is proud of Starbucks' COVID-19 response, which he sees as emblematic of the company's values. "Yes, we're a commercial enterprise," he says. "But we stand for a purpose that goes far beyond the pursuit of profit."

"Our anthem is 'No one better connects the world.' It's our purpose," he says. "By doing that better, we're going to serve all of our stakeholders better. It's going to make us an employer of choice because people want to get engaged on our mission of making the world a better place. Our customers are going to want to join us in that journey because we deliver on that promise to have the best service and best offerings, which are going to then enrich our shareholders."

That served the airline well during the COVID-19 pandemic. Delta pledged to minimize layoffs — requesting unpaid leave from some employees, offering buyouts and early retirement packages to others — while competitors like United and American furloughed some 32,000 workers. With customer safety in mind, the airline also committed to blocking out middle seats for a longer period than its competitors did. Bastian believes that Delta's purpose, which has given its stakeholders a lens through which to view the company's actions, has helped see the airline through the crisis. "It's people over profits," he says. "We strongly believe that if we take good care of our people, including our customers, they will take care of the bottom line for us. We needed to lean on people's loyalty. They will put us in a position to recover and have the best shot at success in the future."

(To read about how enterprise purpose helped guide Starbucks through times of crisis, see the sidebar "Starbucks' Pursuit of Purpose.")

Many businesses pay lip service to purpose, but perfunctory purpose comes with reputational risks.

While the Business Roundtable's commitment to purpose beyond profit has helped to advance stakeholder capitalism, it has drawn scrutiny and mixed reviews. Activists question whether the actions of the CEO association's members are consistent with those commitments.

In an open letter to the Business Roundtable, Robert Eccles, a visiting professor at the University of Oxford's Saïd Business School, said that beyond producing statements of purpose, companies must produce integrated reports that explain in detail how they plan to accomplish that purpose.[8] The Enacting Purpose Initiative, which guides stakeholders on how to put purpose into active practice (and to which Eccles belongs) is one resource to draw on.[9]

Credibility on issues of purpose matters in several ways. We have seen that companies scoring higher on our purpose maturity index are more likely than their peers to have digitally savvy workers, to provide digitally savvy leaders with the technology they need to compete, and to have the proper mindset to thrive in the digital economy. These correlations suggest that an embedded, coherent purpose offers benefits around workforce engagement and alignment. (See the sidebar "Employees Are Not the Top Priority for Top Management," for a warning about workforce engagement.) Beyond these considerations, in a context-collapsed world the need for such a purpose appears increasingly inevitable.

Recommendations

The affective challenges of digital transformation pose a clear and present danger to leadership effectiveness and success. Leadership's failure to explicitly recognize and address digitally driven stakeholder concerns and rivalries — especially those of the digital workforce — creates counterproductive consequences. These recommendations offer a framework for serious leaders to revisit the affective fundamentals that produce more effective outcomes.

EMPLOYEES ARE NOT THE TOP PRIORITY FOR TOP MANAGEMENT

When respondents were asked to rank how top management prioritizes stakeholders when making key decisions, customers were placed in the first or second position most often. However, as the table below indicates, employees were the least likely of any stakeholder group to receive the No. 1 ranking, coming in below even the interests of top management. Given the strategic importance of acquiring, developing, and retaining digitally savvy employees, this finding is worrisome. It signals a consensus view among all survey respondents that top management does not prioritize employees. The ongoing shareholder-to-stakeholder shift understandably leaves workforces concerned about how they are valued and prioritized both as people and as resources.

Priority Ranking	1	2	3
Customers or Clients	43%	28%	19%
Employees	**6%**	**22%**	**29%**
Regulators	13%	17%	16%
Shareholders	22%	21%	22%
Their Own Interests	16%	12%	13%

(Table does not equal 100% due to rounding)

Champion Purpose as a (Re)Organizing Principle

Having a compelling mission statement isn't enough. Serious leaders must appear as genuinely passionate about enterprise purpose as they are about strategy, agility, and customer centricity. The key is to authentically embed and enable purpose as part of the organization's digital transformation trajectory. Purpose thus has an operational as well as an aspirational rationale that invites new leadership accountability. Taking purpose seriously pushes leaders to publicly take these steps:

Actively communicate a strategic purpose that explains what the enterprise is trying to achieve in terms of both productivity and humanity. Lead-

ers should articulate and elicit purpose-driven narratives. Digital talent wants this. Brito's pursuit of purpose as an organizing principle began at a global employee town hall with a question he couldn't answer from a young associate, who asked, "What would the world miss if AB InBev did not exist?"

Intentionally and systematically measure pursuit of purpose. Rather than appointing a chief purpose officer, companies should consider adopting the equivalent of a Net Promoter Score — a Net *Purpose* Score — to assess engagement and guide experience design around purpose. These metrics — key purpose indicators — should be an intrinsic part of the digital platforms and processes that create value for the company. They should be part of both individual and team performance reviews.

Be transparent about trade-offs. When does purpose take precedence over profit? Under what circumstances, if any, does profit trump purpose? Similarly, when stakeholder interests inevitably conflict, does purpose or strategic intent tip the leadership balance? Context collapse complicates this dynamic: Rival stakeholders will surely use digital media to call out controversial leadership interpretations of purpose-driven decisions. Visibility gives stakeholders an idea of how leadership expects its positioning on purpose to be understood.

Lead by Example

Digital transformation requires digital leadership. At a time when the work/home distinction has blurred and when digitally mediated communication has all but replaced informal in-person interactions, employees' experiences of leadership have changed. The impact of C-suite communication is magnified. Leaders must be more self-aware, realizing their strong impact on enterprise culture.

The executives interviewed for this report all emphasized that their actions speak louder than words. Digital technologies inherently make leaders more transparent, agile, and vulnerable. Are they effectively — and affectively — using digital media to better lead by example?

Leading from behind is an anachronism in a digitally transformed world. Humanyze's Waber urges leaders to be proactive. He notes that in-person settings offered the possibility of interaction between senior and junior employees in a way that virtual settings make difficult. "It's important to take proactive measures to encourage that sort of interaction in the virtual setting." Now, Waber says, "a CEO might have open office hours, but is some new employee going to call up the CEO? You are relying on people with inherently less power to make that extra effort. Instead, you need to flip that. You need to tell folks in leadership that it's their responsibility to make these things happen, to reach out and say, 'Hey, we should do a virtual lunch.'"

The leaders we spoke with understand how they want their leadership to be experienced by their stakeholders. They recognize the importance not just of collaborating with a greater diversity of stakeholders but of being *seen* collaborating with a greater diversity of stakeholders. They participate in mutual mentoring not merely to become more effective but to demonstrate its acceptability and desirability to other managers and executives.

Intentionally Leverage Context Collapse

Today's global leaders can't escape the digital platforms that form connections across both their work lives and their personal lives. But context collapse increases the odds that errant tweets from either domain will ignite crisis-management situations that might lead to disruption and resignations. Leaders can avoid flare-ups by considering how to intentionally leverage context collapse.

Where legacy leaders once drew clear lines between their personal and professional lives, context collapse makes such aloofness difficult to sustain. Leaders instead ought to be deliberate about which sides of themselves to share: their politics, their passions — even their families. They need to decide which personal and professional boundaries to blur.

Will you be ready when the "Twitter mob" comes for you or your people? Much the way chief information

security officers use simulated "red team" attacks on an enterprise's digital infrastructure to identify weaknesses, leaders ought to simulate context-collapse scenarios that threaten brands and reputations — say, a racist or homophobic Instagram post by an executive's adolescent son.

Leaders are particularly vulnerable to context collapse, but no one in the enterprise is immune. A single tasteless TikTok dance can have enormous workplace repercussions. Organizations have an opportunity to declare principles to govern online behaviors. Will leaders support people who digitally transgress? Where should the lines be drawn? For example, are associates accountable for family members' posts? Clearly articulated principles build morale; they might even make workers more understanding of leadership transgressions. At a minimum, these guidelines should clarify how the enterprise distinguishes between private and professional digital activity.

Delta's Bastian says that for a long time, the airline used social media defensively, "to get ahead of problems and deflect criticism." More recently, however, Delta has used digital technology to talk about company values. "The main thing is to get our messages out as positive," he says. "We use digital technologies to play as much offense as defense. That part is fun."

Measure How Affective Your Leadership Is

Leaders should be as concerned by how they are digitally experienced by employees and other key stakeholders as they are by how customers and clients digitally experience enterprise offerings. Defining KPIs to lead *affective* digital transformation becomes as important as determining which KPIs drive *effective* digital transformation.

For Delta's Bastian, Starbucks' Johnson, and Purdue's Daniels, affective KPIs around "perceived safety" became dominant during the COVID-19 pandemic. For Brito, the importance of having AB InBev be seen publicly as contributing to the health and prosperity of its local communities became paramount.

Leaders increasingly are expected to share their own emotions about why they choose to lead as they do. Ying Yuan Ng, chief learning officer at DBS Bank, notes that vulnerability "was one behavior that this year we needed to see data on — how to go about inspiring, how to go about galvanizing despite times when there is uncertainty." Johnson is candid about the fact that a serious health scare led to his willingness to rethink stakeholder priorities. Joly says, "I became a better leader when I was able to overcome the disconnect between my head and my heart." Effective leaders measure and monitor their own vulnerability, transparency, and accessibility.

Leaders should consider how to address the challenge of aligning effective and affective leadership measures. To what extent does alignment around purpose elevate morale? How important is high morale to Net Promoter Score and customer experience? How well do Net Purpose Scores and customer experience metrics predict customer lifetime value (CLV)? How strongly do rising CLVs correlate to increased shareholder value? These should not be rhetorical questions but rather testable hypotheses around future value creation.

Analyze Leadership Networks to Improve Culture

Leadership networks reveal the human connections where power truly resides. They can perpetuate patterns that have historically excluded all but a privileged few from positions of influence. Human networks and organizational cultures affect and shape each other. Leaders must accept, embrace, and explicitly measure that reality. Leaders can use their connections with others to better lead culture, and they can better lead culture to expand their own (and others') networks.

Leaders must see the relationships among the people they lead, analyzing the frequency, diversity, and density of their connections. With network analysis, leaders can quantify how their leadership is experienced, both affectively and effectively.

Leaders benefit from reflecting upon the individuals who made their successes possible. MIT Sloan's Reagans describes this process in his teaching: "When

I'm teaching an executive education class, I feel comfortable saying, 'That person got unlucky and got a job assignment that has a poor network. You got lucky and got a job assignment that has a good network.' People start to realize their privilege. That's when I start introducing the diversity material, because that's also about how some people have an edge and other people don't."

Network visualizations invite more precise analytics around diversity, opportunity, and performance. Leaders can see not just overall representation by underrepresented groups but the extent to which individuals are being connected to high-performing teams and functions. Digital transformation makes leadership networks more transparent while creating data-enriched opportunities to be more inclusive.

Culture Amp's Blanche sees traditional DEI efforts as wrongly focused on representation. "If we cut data in new ways, we understand different insights," she notes. "We wouldn't just say, 'Run a broad set of DEI programs.' Rather, we'd identify the individuals most likely to benefit from those interventions. We could pilot programs in places where they were most likely to have impact." Better network analytics lead to a more targeted emphasis on professional development.

McKinsey's Marvin Bower once pithily defined culture as "the way we do things around here."[10] By that definition, digital transformation is inherently cultural: Digital technologies are intended to comprehensively change the way organizations do things around here. But leadership teams must ensure that the cultural benefits of transformation outweigh its costs — that transformation amplifies the organization's cultural values (say, teamwork and customer centricity) and avoids tendencies that can damage the enterprise (say, privileging cost-cutting over customer experience).

Conclusion

Stakeholders and shareholders are actively competing for pride of place among enterprise priorities. The digital workforce — more technically savvy and more socially engaged than their managers — openly expects leaders to up their digital game. Leaders need to be more, as well as do more, digitally.

Context collapse puts a premium on greater digital situational awareness and self-awareness. The key to being measurably more *effective* is becoming measurably more *affective*. Leaders who want to succeed have no choice but to digitally transform themselves. Leaders who are unwilling or unable to proactively use data and analytics to understand how their leadership is experienced will underperform.

There's no escape from the unintended consequences of blurred boundaries and rising expectations around stakeholder engagement, purpose, and meaning. Bluntly, leaders have to decide *what kind* of leaders they want to be. They can't be aloof or separate themselves from the digital transformations they oversee. How they digitally lead by example will determine their credibility, authenticity, and influence with their talent. Mutual mentorship will determine their ability to grow both as leaders and as innovators.

The upshot: Leaders must rethink how digital tools, techniques, and technologies make people *feel* more valued even as they *become* more valuable.

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