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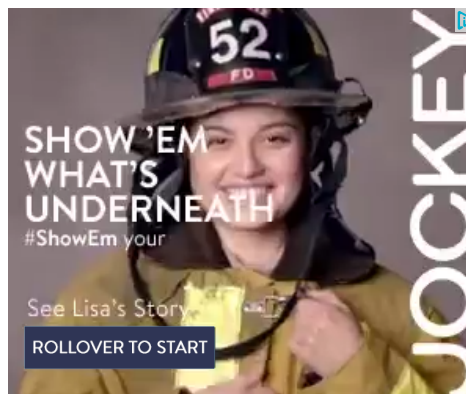
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# Why Even The Best Leaders Fail At Digital

*This piece was coauthored with [Megan Beck](#), Chief Insights Officer at OpenMatters*



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Technology is changing, the market is changing, business models are changing, customers and employees are changing, and yet leaders continue to do pretty much the same thing they have always done—producing lackluster results compared to digital elite such as Facebook, Microsoft, Google, Amazon and Alphabet. The research confirms it. Only [1 in 4 leadership programs is successful](#) and institutional trust is at an all-time low. Leaders need new strategies for the digital

age, and this means unlearning old habits and building new skills and beliefs for the digital age. A twenty-year old leadership style will never be effective in this rapidly changing environment:

**1. Tangible assets have lost sway to intangible assets.** [In 1973 tangible assets accounted for more than 80%, today they account for less than 20%](#). This suggests that the physical goods most firms focus on are now worth a lot less than intangibles such as IP, knowledge and relationships.

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**2. Product and services have given way to platforms and networks.**

Today the [most valuable companies are creating digital platforms](#). For example, investors value Ford and Walmart at approximately 50 cents for every dollar of revenue, while investors value LinkedIn and Facebook at \$7 and \$13 respectively for every dollar of revenue they generate.

**3. Gig professionals, up to [a third of the workforce](#) in 2016, are now a mainstream force.**

Gig talent for Upwork, gig drivers for Uber, gig content producers for Facebook, and gig hoteliers for Airbnb. Increasingly, we all work for ourselves, not for companies. For example, imagine Mark Zuckerberg waking up each morning and telling 1.2 billion people around the world to what to



post on Facebook. Or Uber telling its drivers when and where they have to drive and Airbnb telling us when to rent our homes and to whom for how much.

But most corporate leaders today grew up on the advice of business gurus like Alfred Sloan, Peter Drucker, Michael Porter and Jim Collins. While there is great insight and value in their writings, in a platform and network economy the nature of leadership has changed dramatically. Companies like Google, Uber, Airbnb, and Facebook have learned new leadership strategies that help their key networks lead themselves. These companies don't control their networks, instead they co-create and enable others to generate the value and share in its rewards, the way both Apple and the developer network benefit from Apple's open source app development. They seek to create network effects through platforms and ecosystems of relationships that include customers, suppliers, partners and investors. They have moved from leadership to co-creation, partnership, and facilitation.

Admittedly, no one style of leadership is right in every situation. The old models of leadership aren't obsolete; they are just incomplete. This new, network-empowering style leadership is essential for partnering with self-controlled networks—and it has even encompassed the organization itself. Some firms, [such as Zappos](#), have taken this co-creative approach to their own internal structure and replaced formal hierarchies with self-organizing bodies of individuals.

Despite these movements, the majority of leaders still focus on what they can control, rather than what they can co-create; who they can manage versus who can manage themselves; and what they can own versus what they can access. This is because their traditional mental models of leadership and governance are based on outdated preferences, habits, and biases. But these models no longer work if you want to build a successful platform or network where users manage themselves and their assets.

To help leaders unlearn the lessons of yesterday's educators, authors and experts, we have created a five-step process we call Inversion. Using this process, leaders create and begin to embrace an opposite and opposing view of leadership. These five steps are:

- **Identify** how your core beliefs manifest themselves in your business. Consider your guiding principles, time and capital allocation patterns, and the key metrics that you track. For the leader of an asset building company, most of these dimensions would revolve around the efficient production, ownership and management of physical goods.
- **Uncover** the core beliefs that motivate these behaviors. This step usually takes some ongoing reflection, and industry best practices likely influence your thinking. Focus on your beliefs about assets, value creation, and business model. For example, a core belief could be, "Physical assets are durable and reliable; people are volatile and risky."

- **Invert** your core beliefs and consider the implications. For example, in response to the belief about physical assets above, one could think, “Physical assets are actually riskier than other assets.” Find an inversion that resonates with you—one that you think might actually be true—and consider how this new belief would change your behavior.

- **Extrapolate** what implications these new core beliefs would have on strategy, capital allocation and key metrics. Reflect on whether others outside your industry are operating and how those new beliefs are disrupting your industry. Consider the implications those new beliefs on your customers, employees, suppliers, and investors.

- **Act** on your new beliefs and share them with your peers. Consciously change your actions until new habits form—particularly with capital allocation, but also more broadly with items like hiring, training, and KPIs.

Jim Collins, the best-selling author of *Good to Great* clearly got part of it right: great leaders are Level 5 leaders—leaders who care more about others than they do for themselves. The part he missed is that in the age of digital platforms, leaders must sometimes give up leadership itself. Perhaps we should call it a Level 6 leader—a new level of leader that evokes self-determination and autonomy for groups in and out of the company. Rather than leading the change or controlling the action, incumbent leaders need to unlearn their traditional lessons and gain new skills including facilitation, curation, co-

creation and sharing in order to enable the network to self-organize, contribute and receive value.

This release of control and trust in the network is a difficult, but essential, shift in mental and leadership models. There is simply no way forward for today's incumbent leaders but to unlearn the lessons of yesterday if they want to succeed in the world of digital platforms and networks. Ongoing change and growth requires ongoing development and new mental models. There is just no way around it.

Barry Libert and Megan Beck are partners at OpenMatters, the leader in business model science.

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