

## Chapter 2

# Digital Leadership Competencies in the Malaysian Context: A Study in Manager Levels

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### **ABSTRACT**

*The purpose of this chapter is to investigate the most important digital leadership competencies for managers in Malaysia and to develop the profile of digital leadership competencies among managers in Malaysia. This study adopted quantitative research method and cross-sectional study. In order to provide a better understanding of the digital leadership competencies in Malaysia, the researcher uses exploratory factor analysis and fuzzy topsis method in interpreting results. The importance of each dimension was determined and compared with current performance. Hence, importance-performance charts were provided to elaborate the research results. This study will inspire managers to embrace change and to develop new competencies needed in order to guide their organizations into the uncertain future of the digital age. This study being the first in its kind will extend the knowledge of digital leadership competencies particularly in Malaysian context. Further, it enhances the literature by provided empirical evidence on the importance and how to develop the profile among managers.*

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## **INTRODUCTION**

The advancement of technology in today's world, especially in Industrial Revolution 4.0 (IR 4.0), greatly influences every aspect of our lives including leaderships and education settings across the world (Schwab & Davis, 2018). In this current era, people's daily lives and businesses have been highly transformed by digital technologies in the last years. However, the concept of digital competence is considered important tool which covers many areas and is rapidly evolving as new technologies appear. Digitalization helps to connect more than 8 billion devices worldwide (World Economic Forum, 2018) and started to change the nature of organizations, their boundaries, relationships, and work processes (Lorenz *et al.*, 2015; Vidgen *et al.*, 2017). Digital transformation simply means the adoption of a portfolio of technologies that, at varying degrees have been employed by many firms such as social media, digital platforms, artificial intelligence, machine learning and big data (Harvard Business Review Analytic Services, 2017).

Malaysia is among the countries which is working hard on technology-driven economic growth using IR 4.0 (Bujang *et al.*, 2020). By interconnection of technologies the digitalization process is experiencing a paradigm shift and this change proposes many new opportunities for different industries (Maskuriy *et al.*, 2019). Here is the point that we need to think twice on the readiness of Malaysian leaders in different industries to be successful digital leaders. This is why Malaysia's Minister of Youth and Sports, Khairy Jamaluddin, said that "rapidly developing digital economy is increasing the demand for highly skilled technical workers, and digital business skills" (Khan *et al.*, 2021).

Over the years, leadership scholars have been trying to monitor the effects of digitalization processes (Kirkland 2014). The focus was on the role of manager's ability to integrate the digital transformation into their companies and inspire employees to embrace the change, which is often perceived as a threat to the current status quo (Gardner *et al.*, 2010). Digitalization has changed the way companies communicate, manufacture, and organize themselves. The use of modern technologies in organizations influences the interpersonal expectations, competencies, and self-awareness of the workforce (Colbert *et al.*, 2016). Many companies mainly focus on the increase of productivity, efficiency, and profitability through the integration of new technology to connect devices and machines, digital tools such as platforms and digitalized distribution channels. Thereafter, they realize that it is not only the machines and methods to be adapt to the changes resulting from digitalization, but also the ways of leadership within the company and its culture. This means that the communication, working methods and standards must be set. Adequate leadership is essential to react to the changing customer demands and determines the success of a company.

There are remarkable differences between traditional leadership and leadership in the digital age as these mainly contributes to a changing work environment with computer-mediated communication playing a pivotal role (Phelps, 2014). Therefore, it is crucial to understand how both traditional settings differ from one another and to recognise the importance of digital technology for leadership concepts, to identify challenges and to finally derive necessary leadership skills. It can be difficult to find people or organizations that are not engaged in several aspects of digitalization daily (Phelps, 2014). The limitations are due to lack of skills among employees, ineffective leadership competencies, limited access to finance and slow adoption of digital technologies (Matzler *et al.*, 2008).

The Fourth Industrial Revolution (4IR), the Industry4WRD, which was launched on 31st October 2018 is the next phase of evolution in Malaysia. According to Ministry of International Trade and Industry (2019), the objective is to drive digital transformation of many related sectors in Malaysia. Technology can be useful only with the knowledge of application or it will not be helpful for any improvement. The

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