

The 2027 Leadership Challenge:

Why a Digital Core Needs Leadership at Every Level

10 minute read

Somewhere in most large organisations there is a technology programme that has delivered everything it promised but changed almost nothing that matters. The organisation has integrated the platforms, adoption looks respectable, teams report that the new tools have made them faster, and still the finance director cannot find any of it in the accounts.

Our latest extended Rialto insight sets out what organisations lose when technology moves faster than the organisation's capability to use it, and why it is essential to develop leadership in tandem with the tech, not after or even adjacent to it. That means leadership development belongs inside the business case for the digital core, funded and measured alongside it, rather than left to the L&D budget to catch up afterwards.

- Among UK businesses using AI, 75% report higher workforce productivity, yet 77% have not yet seen any change in revenue.
- The gap is rarely the technology. The decisions that turn productivity into profit are taken by the people who own workflows, budgets and teams, mostly below board level.
- Leadership capability therefore has to be built, and invested in, alongside the digital core, at every level the core touches. It can take longer to build than the technology.

WHY DOES AI IMPROVE PRODUCTIVITY BUT NOT REVENUE?

Government research published in February 2026 shows how common the tech-human capability mismatch has become. In a study of 3,500 UK businesses carried out by IFF Research and Technopolis Group for the Department for Science, Innovation and Technology, 75% of AI adopters reported improved workforce productivity and 57% reported new or improved processes. Yet 77% had not yet seen any change in revenue and only 12% reported an increase. The figures are self-reported, but most boards will recognise the pattern from their own numbers.

The same study found that many businesses lacked formal metrics to attribute changes in revenue or productivity to AI at all. In other words, the conversion from productivity to profit is often not being measured, let alone managed.

Something is going wrong between the productivity and the P&L. It is very rarely the technology. The instinct in most boardrooms is all too often disillusionment, paralysis or unguided interference: tighten oversight of the programme or abandon it altogether and look for someone to blame. Neither touches the problem.

Many early adopters have told us they learned the hard way that the decisions that turn a faster process into a better set of accounts are taken a long way from the boardroom, by the people who own the workflows, hold the budgets and manage the teams. A board can approve an investment, but it takes highly trained, skilled and integrated leadership know-how to convert one.

That makes the turn from 2026 into 2027 a test of organisational capability rather than technology. The leadership capability that unlocks a digital core has to exist at every level the core touches, and it can take considerably longer to build than the core itself.

WHAT DO WE MEAN BY A DIGITAL CORE?

People use the phrase loosely, usually to mean the technology estate. It is the set of shared, governed assets through which the whole business runs, underpinning how an organisation operates and scales.

They include the trusted data upon which decisions rest, platforms and integrations that let one part of the organisation learn from, and act on, what another part has discovered, processes that are standardised enough to automate, and governance that allows the business to say yes quickly.

The digital core creates capacity for growth, efficiency and innovation, but it is leadership that determines whether the organisation captures that potential. For CEOs, boards and senior leadership teams, the test is simple: can a decision taken in one part of the business take effect everywhere else without being argued or approved all over again? If it cannot, you have systems, not a core. And because people in every function and at every level use a core, most of whom will never present to the board, it is only ever as good as their collective capability.

WHO TURNS DIGITAL INVESTMENT INTO FINANCIAL RESULTS?

Every conversion of capability into performance runs through a decision that belongs to a leader somewhere: what stops now, who decides now, where the freed capacity goes, who is accountable when the model is wrong, and what people will need to be able to do that they cannot do today.

Very few of those decisions reach a board. The operations director is the one who usually chooses whether to redesign a process or simply run it faster, the finance manager might decide which roles must stay, the shared services lead whether to consolidate when the data finally supports it, and the team leader how far to trust what the model produced. Each decision is small, but together they are the entire return on the investment.

This is why leadership development is an operational requirement, not a benefit. Technology teams should not take these decisions and a board cannot, so when a transformation is scoped as a technology programme, nobody assigns ownership to the questions that determine its return.

WHERE DOES FREED CAPACITY GO WHEN NOBODY CLAIMS IT?

Automating a step creates hours, but those hours only create value when somebody decides what they are for: a cost saved, a better service or new growth. In our experience, that decision is very often never taken. Four things tend to happen instead.

Work expands to fill the time. If nobody decides what needs to stop or where resources should be redirected, any freed capacity gets absorbed by more of the same activity, often lower-value activity. The team is busier, yet the output is unchanged.

The constraint moves instead of disappearing. Ironically, the manual steps either side of the automated one become the new bottleneck, and end-to-end cycle time barely improves.

A checking layer appears. Where nobody has defined which decisions stay with a human, teams start informally reviewing what the system produces: a quality assurance function that does not feature in any business case and reports to nobody.

Run costs persist. The pilot was the cheap part. Licences, usage charges, integration, monitoring and the specialists who keep it all running continue long after attention has moved on. A named owner needs to factor all of it in and audit it.

None of these is a technology failure. They happen inside functions, below the board's line of sight, and are easily missed when delivery is reported upwards as on schedule.

The alternative is to claim the capacity deliberately, and the biggest prize is growth. An organisation that can serve more customers, launch new offers or enter new markets without adding cost at the same rate has changed its economics, not just its efficiency. That only happens when someone with the authority to redirect the capacity decides to, and knows where it should go.

CONFIDENCE THAT STOPS AT THE TOP

Korn Ferry's Workforce 2025 survey of 15,000 employees worldwide found that 78% of leaders believed they had AI figured out, while only 39% of workers agreed. The distance between those two numbers is a large part of the problem.

An organisation that allows confidence and decision-making authority to remain concentrated at the top, while capability and confidence thin out through the management layers, will inevitably reproduce the pattern evident in the government data. The executive narrative may be compelling, the pilot may be successfully delivered, and the dashboard may show strong adoption, yet the underlying way work is done changes little. The critical gap is not necessarily intent, but the absence of the authority, understanding and capacity required by those closest to the work to translate ambition into sustained change.

The same scrutiny applies to the board itself. MIT CISR research published in December 2025 found that only around a quarter of large-company boards were savvy in AI and emerging technology, and that companies with such boards outperformed their industry's average return on equity by 10.9 percentage points. A board that expects digital fluency three and four layers down needs to be able to demonstrate it at the top table.

WHAT SEPARATES THE ORGANISATIONS GETTING VALUE FROM AI?

McKinsey's 2026 State of AI survey of 1,719 participants found that nearly three quarters of AI high performers (the roughly 6% of organisations attributing at least 5% of their earnings to AI) had fundamentally redesigned workflows because of AI, against roughly a quarter of other respondents (see our previous insight, *Joining the 6% Club*). High performers were also twice as likely to say their senior leaders demonstrate commitment to AI initiatives. Redesigning workflows across an organisation requires coordinated action at every level, with managers empowered to change how their own areas work. Leadership sets the direction, commissions and oversees the change, while the management layers need to move together to make it happen.

The Office for National Statistics reaches the same conclusion from a different direction. Among UK firms, 88% of those in the top tenth for management practice had adopted at least one advanced technology, against 51% in the bottom tenth, and technology adopters were associated with 19% higher turnover per worker. That management score measures the whole firm (how it sets targets, monitors performance and manages people), not the board. Well-managed organisations get more from the same technology.

THE COST OF GETTING IT WRONG: WHY AI PROJECTS GET CANCELLED

Gartner predicts that more than 40% of agentic AI projects will be cancelled by the end of 2027, citing escalating costs, unclear business value and inadequate risk controls. None of those three reasons is about whether the technology works.

The write-off is the smallest part of the loss.

The larger part is the window: competitors who did the organisational work keep compounding their advantage while you restart. And restarting is harder the second time, because the people you need to bring with you may have already drawn their own conclusions. Boards consistently underestimate this loss of internal credibility. An organisation gets a limited number of attempts to ask its people to work differently; each failure makes the next one more expensive.

HOW IS AI AFFECTING THE LEADERSHIP PIPELINE?

Executive judgement is an asset that companies must consciously construct as leaders step up through progressively harder roles: managing a team, handling a difficult customer, owning a number, making a call on incomplete information and living with the consequences. Much of the raw material has always been the analytical work underneath those decisions, the work through which a leader learns what the numbers actually mean. That is exactly the work AI absorbs first. Almost none of the business cases we see give sufficient consideration to the damage to the pipeline, largely because it has not yet begun to show.

The effect of automating without replacing the developmental experience may take the best part of a decade to be felt in full. By then the risk is that the succession bench is thin, internal candidates cannot credibly hold enterprise accountability and the organisation cannot hire its way out, because every comparable business made the same decision at the same time. This belongs in the board's discussion of AI now, alongside the design of the operating model, and in its succession planning: the criteria for who is ready for the next role, and how they become ready, need to reflect the work AI has taken away.

HOW TO BUILD LEADERSHIP CAPABILITY AT EVERY LEVEL THE CORE TOUCHES

The organisational work is slower than the technology work. Procurement and implementation run in months. Changing how hundreds of managers decide, what they stop doing and what they are capable of takes years. Start both together and the capability work is already behind, which is a strong argument for starting it first.

The actions fall into two groups: what the board needs to govern, and what the board and senior leadership need to invest in. Governance without investment produces accountability that nobody is equipped to meet; investment without governance produces capability that is never pointed at the P&L. Both are needed.

WHAT THE BOARD SHOULD GOVERN

- **Name one executive accountable for the financial outcome of each investment, separate from its delivery.** Delivery accountability produces delivered systems but loses sight of cost efficiency and return.
- **Push the conversion decision down to the people who can take it, and give them the authority to go with it.** A process owner with a mandate to redesign will change the economics of their area. If they only have a mandate to run the process faster, they will hand back a slightly quicker version of what already exists.

- Make every business case state what stops, where the freed capacity goes and which line of the P&L will move, and have the manager who owns that area sign it. It should also set out the leadership capability needed to deliver it. Organisations that cannot answer those questions should not invest, however impressive the demonstration.
- Put a conversion rate in front of the board: productivity claimed against financial impact banked, reported with the same discipline as any other capital allocation. The gap between those two numbers is the most useful figure a board can look at on this subject.

WHAT THE BOARD AND SENIOR LEADERSHIP SHOULD INVEST IN

- A well-equipped, joined-up board. Digital capability has to be shared across the whole board, executive and non-executive, not held by a few individuals. Oversight of the digital core should connect strategy, risk, finance and people rather than sit with one committee or the CIO, with the CEO, CFO, CIO and people director owning its outcomes together.
- A board leadership programme built for the task. It should be designed for the board as a team, hands-on with the organisation's own data and business cases, and cover where value is created, how return is measured, the risks and the consequences for people. It needs refreshing as the technology moves, and its effect should show in the board's skills matrix and effectiveness review.
- A funded development programme for the managers who take the conversion decisions. Operations directors, finance managers, shared services leads and team leaders need more than generic AI training. The programmes that work are practice-based, spread over time and built around redesigning participants' own real workflows, so that the learning and the return arrive together.
- Judgement where the outputs are used. Managers three and four layers down interrogate model outputs daily. They need enough fluency to challenge what a system produces, recognise weak data and know which decisions stay with a human. That fluency belongs with them, not in a central function far from the point of use.
- Replacement developmental experiences, by design. Cross-functional problems with real decision rights and measurable outcomes, rotations and funded experiments that enable learning. An organisation that automates the training ground without replacing it is spending its succession pipeline to fund this year's productivity gain.
- Succession planning built around AI readiness. Readiness criteria, talent reviews and development paths for future leaders should reflect how the work, and the route to learning it, has changed.

These investments should be funded from the digital-core budget and measured against its returns, not met from whatever remains in the L&D budget.

WHAT BOARDS SHOULD BE ASKING NOW

Start with the conversion question: where are we seeing productivity improvements without financial impact, and who owns closing that gap? An organisation that can answer precisely is already ahead of most competitors. One that cannot has a leadership problem that looks like a technology one.

These six questions belong on the board agenda:

1. Who below board level is accountable for converting each digital investment into a financial outcome, and do they hold the decision rights to do it?
2. What has stopped, where has the freed capacity gone and which line of the P&L do we expect to move?
3. How far down the organisation does genuine digital confidence extend, including at this table, and how would we know?
4. Do the people who own our workflows have a mandate to redesign them, or only to run them faster?
5. If AI has absorbed the work through which our future leaders used to build judgement, what have we deliberately put in its place?
6. What share of our digital investment is allocated to building the leadership capability needed to convert it, and is it enough?

The organisations that see the strongest returns in 2027 will treat the digital core and leadership capability as one system rather than two programmes, each making the other more valuable.

A stronger digital core provides better information, greater connectivity and the ability to redesign how work is done. Leadership capability enables people at every level to use those capabilities effectively. Together, they create the conditions for a different operating model.

The potential value chain is straightforward:

better data → better decisions → redesigned workflows → improved productivity → greater capacity → scalable growth → stronger financial performance.

Technology sits throughout that chain. So does leadership. Invest in one without the other and the chain breaks somewhere along its length; invest in both, together, and each link strengthens the next.

For businesses seeking stronger growth and financial performance in 2027, the case for bringing these agendas together is becoming stronger.

To explore how Rialto builds leadership capability across an organisation alongside its digital investment, get in touch for a free initial consultation.



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ACCELERATED IMPACT

The Rialto Consultancy Ltd
25 Southampton Buildings
Chancery Lane
London WC2A 1AL

T: +44 (0)20 3746 2960

E: info@rialtoconsultancy.com

www.rialtoconsultancy.com