

New Principles of Leadership?

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*"It is not the strongest of the species that survive,
nor the most intelligent,
but the ones most responsive to change."*

— Charles Darwin

Executive Summary

Leadership is one of the most studied topics in the management literature. With major changes in the world of business due to increasing globalization and new advances in information technology, flatter organizational structures with fewer hierarchical levels have evolved. This has resulted in yet another look at leadership competencies and principles necessary to survive in the “new world order”.

So, what are the leadership competencies required in this new world? Before diving into the topic, it is important to set up the necessary framework. Competencies are observable and habitual behaviors that enable a person to succeed in her activity or function.¹ Leaders create the culture, values, and work environment for innovation and organizational excellence. While management is about coping with complexity, establishing order and predictability, leadership is about learning how to cope with rapid change.² Thereby, leadership competencies are observable and habitual behaviors that enable a person to succeed in her leadership role, regardless of the environment surrounding her.

Deming was the first to establish the new leadership philosophy, in Tokyo in 1950. His leadership fundamentals revolve around the concept of “Everything is a *system*, and we are part of it.”³ Today, information technology has changed the business rules, yet again. E-business, new

economy, knowledge economy or whatever you would like to call the current business world requires a new breed of leaders, or many would suggest.^{5,7,8,11,12,21}

This study has focused on understanding and evaluating the latest fads in the leadership literature, mainly e-leadership, emotional intelligence and managing knowledge workers. The conclusion is the affirmation of Deming's first leadership philosophy that was started in the 1950s, and that those are the fundamental leadership competencies which are required regardless of the world we live in. Deming's system of profound knowledge theory is as essential today as the day he documented it, if not more so. After all, transformation requires a view from outside, an understanding of the interaction between the system, the knowledge, the variation and people. Without this map of theory, it would be impossible to understand the organizations that we work in, and as such it is the ultimate competency required for today's leaders.

Current Landscape

Over the last fifteen years the U.S. economy has undergone a profound structural transformation. The New Economy has emerged: the information technology revolution has created an increasingly global marketplace where the rules of entrepreneurship and competition are redefined.³ It is essentially characterized by the key role of knowledge and information in driving productivity and enhancing competitiveness. These changes have placed added pressure on firms, Nobel Laureate economist Douglas North calls this "adaptive efficiency," where the companies need to relentlessly innovate, continuously learn, and proactively change.⁴ This constant change has been producing enormous turmoil in the business world: how does one deal with competitors, customers and suppliers in the world of e-business?⁵ This complexity has left many feel managing in the new economy is more demanding than the old economy ever was.⁶

Yet another effect of this new world order is the redefinition of the work culture to lead workplace transformations which are critical to firms' success. Dot-Com pioneers have shown what it means to ride the entrepreneurial journey with passion; they believe in taking risks and proactively listening to the customers and the market, and changing their strategic direction accordingly.⁷ Brick-and-mortar corporations are following in these footsteps by creating a work environment that fosters initiative, collaboration and learning. Transforming hierarchical business structures is a challenge that requires maximization of three core horizontal processes: frontline entrepreneurship, competence building across internal boundaries, and renewal of ideas and strategies.⁸ Entrepreneurship is the desire that drives employees to run their operations as if they owned them. Competence building processes seek ways to link and leverage the front line individuals' talents, and help operating units grow the skills to pursue new opportunities. Renewal process is where the top managers are challenging the company's strategies with the goal to stimulate thinking and generate fresh ideas. Canon refers to this as creative destruction, where they have achieved leadership in a constantly evolving line of businesses.⁸ However, the application of these processes depends on the work culture which is further impacted due to the generation mix that is at play: who do you design your new culture around, gen x, or gen y? (Table 1)

Ultimate question: Are the leadership competencies that different?

These current trends in the workplace have resulted in generation of large amount of literature over the last few of years that outline the new leadership skills required to survive the new economy. This literature talks about e-leadership, rules of managing the knowledge workers, and emotional intelligence that is required to be successful. Given this abundance of opinions, an obvious question needs to be answered: how different are these leadership competencies from Deming's philosophy

on management that was first published in the 1950s? New leadership competencies are outlined by Scholtes as part of his elaboration of Deming's *System of Profound Knowledge*:⁹

1. The ability to think in terms of systems and knowing how to lead systems;
2. The ability to understand variability of work in planning and problem solving;
3. Understanding how we learn, develop, and improve, and leading true learning and improvement;
4. Understanding people and why they behave as they do;
5. Understanding the interdependence and interaction between systems, variation, learning, and human behavior. Knowing how each affects the others;
6. Giving vision, meaning, direction, and focus to the organization.

How About that E-Leadership?

Susan Annunzio, author of *e-Leadership*, defines it as asking the tough questions, facing the unspeakable truths and making the difficult decisions that will put your company on the path to success.¹⁰ Furthermore; the literature has identified five e-Leadership principles¹¹:

- *Forgo stewardship for entrepreneurship* – Hargrove explains this as the need to shift from being a productivity and efficiency junkie to being an opportunity seeker and innovator who quests for that new thing.¹²
- *Innovate with abandon* – New product introductions have largest contribution to the firms' bottom line.
- *Emphasize coaching and mentoring over managing the details* – A former US Secretary of Labor once said that “competitiveness is what a company can do uniquely, and the only thing that is unique within each company is the capability of its people.”¹³
- *Design your culture primarily around the needs of gen x and gen y employees* – The new corporate culture requires enthusiasm that is demonstrated in the younger

generations. As such, adopt the incentives and rewards that will help attract and retain these workers.

- *Use a brash communication style to disrupt the status quo* – This is seen as a must to create an environment for the future.

In summary, e-Leadership is about the continued development of the work culture for risk taking, learning and sharing in an environment full of ambiguity and uncertainty.

EQ not IQ!

Daniel Goleman, author of *Emotional Intelligence*, defines the term as the ability to read, transmit to, and engage with other people.¹⁴ Furthermore, five components to emotional intelligence have been identified: self-awareness, self-regulation, motivation, empathy, and social skill. A 1996 study of a global food and beverage company showed that the divisions with senior managers that had a certain critical mass of emotional intelligence outperformed yearly earnings goals by 20%. Division leaders without that critical mass of emotional intelligence under-performed by almost the same amount.¹⁵

Managing the Unmanageable: Knowledge Workers

The new economy is a knowledge and idea-based economy⁴. In the knowledge economy the way businesses grow and evolve depends heavily on how people create value, on how quickly and adeptly they assimilate and convert bits of information into relevant knowledge for given situations. This in turn forms the sustained competitive advantage for the firm that drives continuous innovation. In the knowledge economy, sustained competitive advantage will come almost entirely from knowledge workers.¹⁶

The focus for successful leadership in knowledge-intensive enterprises should be on: enabling creativity and entrepreneurial behavior, creating respect for conflicting views, enabling rich

communication, and developing excellent processes to capture, leverage and deliver the record of knowledge and ideas.¹⁷ However, this is not enough and as such technology leaders must understand business as well as technology: they must grasp the logics of their industry, including price, buying behavior and the speed demanded by the market.¹⁸

New Waters

Change is constant, and the Internet is changing the way work is done. This could ultimately lead to a new kind of economy, an e-lance economy¹⁹ where work is carried out autonomously by independent contractors: e-lancers. And again the role of the leader will evolve where it will be about establishing the corporate rules, standards and cultures for working within and outside the firms' boundaries. So, each time the business environment evolves new leadership principles emerge?

All the so-called new leadership principles analyzed were already covered by Deming's Systems of Profound Knowledge. Being a leader is about understanding the system, adapting with the system, understanding people, how they work, learn and how they interact with the system, and finally giving vision, meaning, direction and focus to the organization.

Conclusion

The environmental conditions in which the leaders operate in have evolved: it's faster, more complex and global. The new economy has placed additional demands and intensity on the leaders; however the principles and the foundations of the leadership have not changed.²⁰ Today's leaders need to make progress on all fronts simultaneously; they need to adopt and transform their businesses accordingly to meet the new demands of the business world just as before. As described by Deming, today's leaders need to understand the system, as they need to be integrators, not insulators; team players, not team captains; communicators, not commanders.²¹

More than ever leaders need to know their foundational leadership principles and stick to them to be successful. The rest is just variations in the system.

Table 1 - Generational Profiles²²

Name	Other names	Description	Approximate American birth years	Approximate South African birth years
<u>G.I.</u>	Builders	The GI's are a civic minded generation, born during a time in society when people are inner-focussed. Their parents have begun to see the error of leaving children to their own devices, and so they are raised as increasingly protected youth.	1900-1922	1910-1929
<u>Silent</u>		The "Silent" Generation are those young people who grew up when children "should be seen and not heard". They are an adaptive generation, raised by overprotective parents during the secular crisis of World War II and the Great Depression. They tend to be withdrawn, cautious, unimaginative and unadventurous.	1923-1942	1930-1949
<u>Boomers</u>	Baby Boomers	The defining characteristics of Boomers at the end of the twentieth century are: they have the highest average educational level of any generation in history; they are media-oriented and susceptible to media-hype; they are independent activists who are cause-oriented; they enjoy experimentation; they are extremely quality conscious and value "professionalism"; and, they question authority.	1943-1963	Black: 1950-1965 White English: 1950-1970 White Afrikaans: 1950-1980
<u>Xers</u>	13ers, Busters	In the work place, they are similarly skeptical of institutions, realising that long-term commitment is unlikely to pay the dividends it did to their parents and grandparents. They are therefore opposed to paying their own dues, and look for quick, short-term rewards, prepared to embrace risks and work hard for themselves.	1963-1982	+1970-1990
<u>Millennial</u>	NetGen, Gen Y, Next gen	Some traits that are important to this generation: Community matters the most to them; they are confident and energetic; they are Passionately tolerant; change is constant, focus is fragmented; they have a very weak morality; they value choice and variety, not size and volume; they are over-protected; they only trust themselves; there is an increasing divide between rich and poor; they have non-traditional family definitions; nothing shocks them: they've "Been there, done that!"; and, they are plugged in.	1983-2000	1990-(?)2005
<u>Adaptive</u>	Gen Z		2000-(?)2020	(?)2005-(?)2020

Table 2 - Keys to the old and new economies⁴

Issue	Old Economy	New Economy
Economy-wide characteristics		
Markets	Stable	Dynamic
Scope of Competition	National	Global
Organizational Form	Hierarchical, Bureaucratic	Networked, Entrepreneurial
Potential Geographic Mobility of Business	Low	High
Competition Between Regions	Low	High
Industry		

Organization of Production	Mass Production	Flexible Production
Key Factor of Production	Capital/Labor	Innovation/Knowledge
Key Technology Driver	Mechanization	Digitization
Source of Competitive Advantage	Lowering Cost Through Economies of Scale	Innovation, Quality, Time to Market, and Cost
Importance of Research/Innovation	Moderate	High
Relations with Other Firms	Go it Alone	Alliances and Collaboration
Workforce		
Principal Policy Goal	Full Employment	Higher Wages and Incomes
Skills	Job-specific Skills	Broad Skills, Cross-Training
Requisite Education	A Skill	Lifelong Learning
Labor-Management Relations	Adversarial	Collaborative
Nature of Employment	Stable	Marked by Risk and Opportunity
Government		
Business-Government Relations	Impose Requirements	Assist Firms' Innovation and Growth
Regulation	Command and Control	Market Tools, Flexibility

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⁵ Jacqueline Moore (5/10/01), "Changing leadership", Computer Weekly, p45.

⁶ Don Tapscott (1996), *The Digital Economy: Promise and Peril in the Age of Networked Intelligence*, McGraw-Hill, New York.

⁷ Sally Richards (2001), *Dot.Com Success! Surviving the Fallout and Consolidation*, Sybex, ISBN 0-7821-2851-3

⁸ Sumantra Ghoshal and Christopher A. Bartlett (Jan-Feb 95), "Changing the Role of Top Management: Beyond Structure to Processes", Harvard Business Review, pg 86.

⁹ Peter R. Scholtes (1998), *The Leader's Handbook: A Guide to Inspiring Your People and Managing the Daily Workflow*, McGraw-Hill, ISBN 0-07-058028-6

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