



BREAKTHROUGH LEADERSHIP THINKING

Is your view of leadership stuck in the Industrial Age?

The statements below relate to Industrial economy thinking about leadership and may hinder leadership success in the Digital economy. How many of these outdated notions are you hanging on to?

1. Leadership and management are completely equivalent and interchangeable terms.
2. Only one person in the team, 'the leader', can exercise leadership.
3. A leader has formal authority.
4. Someone who is placed in charge of a group is automatically 'the leader' (i.e. you can be a leader without having any willing followers).
5. Even though team members exercise influence within the team, aiming at a common goal (the definition of leadership), they aren't seen as exercising leadership because they don't carry the 'leader' title.
6. The term follower is a rather disparaging term, only used for those who always need to be told what to do.

Leadership top human capital concern, again!

Deloitte's *Global Human Capital Trends 2014* report identifies leadership as the top human capital concern of global HR directors, yet again. Although 86% of the more than 2500 respondents see it as "urgent" or "important", only 13% feel their organisations excel at leadership development.

The report suggests that a key stumbling block arises because "21st century leadership is different". It's similar to the point that we have been making for the past few years, but also subtly different – which is perhaps why the changes needed aren't forthcoming. In reality, leadership doesn't need to change simply because we've moved on a decade from the late 1900's into the early 2000's. What's in a few years?

Profound revolutionary change

More significantly than the difference of only a few years, UGM suggests to clients, is that leading economies are rapidly transitioning from the end of the Industrial Economy and moving deeper into the Knowledge or Digital Economy. To put the nature of this change into perspective, humankind has only experienced three such revolutionary shifts in 10,000 years. These infrequent but large-scale changes are experienced at a global level. In a relatively short period of time they profoundly alter the course of human development. Importantly, they also rather rapidly render the technologies and approaches of the prior age redundant.

Around 10,000 BCE, people started to settle, choosing farming over their previously nomadic lifestyle that followed the seasons and food. This was the onset of the first Agricultural Revolution. Fast forward some 8,300 years to the beginnings of the Industrial Revolution, around the mid-to-late 1700's. Steam, and later electricity, drives machines that mass-produce goods at cheap prices. Machines now, rather than land, produce premium value.

Then, barely two centuries later, the Knowledge or Digital Revolution arrives with the advent first of the computer and, a few decades later, the Internet. And this relatively new world, barely decades old, is the reason management and leadership (among many other perspectives and practices) must change.

New leadership and management approach needed

Pretty much all of the management and leadership approaches that are in use today were developed over centuries to deliver greatest value in the Industrial Economy. But the new, high-value world of knowledge work and the knowledge worker is very different from that of the machine (the creator of value) and the machine minder (the low skilled worker) of the past. Knowledge work, according to knowledge-age guru, Tom Davenport, is about

making sense, interpreting and understanding. All of these areas are at once both problematic and highly valued. Meaning and knowledge are at a premium.

To generate high value meaning and knowledge, organisations need to employ people with substantially different characteristics than their industrial counterparts. Knowledge workers prefer autonomy – contrast that with the person spending their entire working life at the same spot on a conveyor belt! They also value less structured environments, and research shows that it is those types of environment that deliver innovative (and profitable) breakthroughs across the value chain.

Also, unlike their machine-minding counterparts of the industrial era, knowledge workers actually have tremendous power over a critical component of the value chain, their own brain. A high-value machine would never walk out, but there's little stopping a disaffected or disengaged knowledge worker. Finally, the knowledge worker needs, and must exercise, a much higher cognitive capability to deliver high value in the Digital economy.

All organisations still require a healthy dose of management. Management, or Katzenbach and Khan's 'formal leadership', is about working to rule, using policies, procedures and fixed structures to deliver defined outcomes. Management relies on formal authority. Leadership, on the other hand, is about responsively working to need. It applies broad principles, fluid structures – such as networks and dynamic project groups – and relies on influence rather than authority to get things done.

Making the leadership thinking breakthrough

The Deloitte report provides many excellent suggestions, but its conceptualisation of leadership is a good example of how even forward-thinking organisations can be trapped by conceptual models from ages past. Leadership, in the future, will not be something coming from one individual specifically (as they see it). This idea of 'the leader' actually pre-dates the Agricultural Revolution. But, in today's interconnected, networked and complex world, successful teams, mostly with high skilled members, simply don't exercise leadership in that way.

High performing teams are far more likely to have an abundance of 'network leadership' behaviours (see our recent briefings on this topic for more detail). Multiple individuals in the team provide whatever proportion of influencing behaviours is needed to deliver desired team outcomes and sustain the motivation and commitment of individual team members in particular contexts.

Success in the digital economy will require a breakthrough in leadership thinking. Where do you stand? Have you made this vital transition?