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Leadership 4.0
The Meaning of Good Leadership in the Digital Era
Manuscript

Abstract

In my essay, I argue that a new humanism is looming in sciences and business thinking. I prove my thesis by giving examples from economic theoreticians, social scientists and business practitioners. Researching the answer to my question on new leadership trends, I found significant similarities in recent economic and leadership concepts. This phenomenon is the rise of human-centred approaches. Economics seems to have discovered the importance of people's behaviour in economic decisions, while management sciences realised the power of spiritual skills in leadership. In the age of machines, exclusively human skills, such as creativity, innovation, social tune, sense of humour and even understanding metaphors become more and more valuable in leadership as well. Practitioners came to the conclusion that new leadership models are needed. These models require entirely different skills and capabilities than expected before.

Introduction

In this essay, my thoughts, like concentric rings, will surround a word: humanity.

I will argue that humanity is an upcoming new core value of the 21st century. My claim is that we live in the era of the second flourishing of human-centred renaissance. In the age of the fourth industrial revolution, we discover our humanity again. Obviously, it is a throwback, because the idea of humanity itself is not new, but now it returns in the guise of an invention. Mankind started to reinvent humanity, more precisely, the outstanding value and importance of the uniquely human capabilities and skills. Notwithstanding, the manner is similar, but the matter is different than five hundred years ago. In the renaissance, people discovered humanity in relation to nature. They perceived themselves as creatures of nature. Now we discover our humanity in relation to the world

of the machines we created. We are not creatures anymore. We are creators. Consequently, we have a different identity, but humanity is still, or again, the uppermost value. However, this new humanity stands in a different environment. The entire modern civilization is grounded on rules and mechanisms – or, at least to all appearances.

Thus, what does humanity mean today?

In this essay, I'll examine this very broad question. In order to narrow it, I'll prove my statement by focusing on a phenomenon, which is attributed to a privileged role and essential function in the state of play of society and, what is more important for us now, of economy. This phenomenon is leadership. The rationale of my choice is that leadership has an entitled significance in communities. Leaders are the protagonists in decision-making in the economy and society, as well. Leaders can make our life more pleasant and they can make it harder as well.

In the following, I'll argue that there is an implicit inherence of the human-centred new concept in leadership and of the new stream of economical thinking, that is “human-focused” economics. It is not an obvious idea, but it is definitely worth an effort to clarify.

In order to expound my proposal, I'll bring concepts from different disciplines, showing that they encounter at the point of humanity.

First, I'll introduce some theoretical approaches to the theory of economics. Then, I'll illustrate the journey of economics, from classical economics to behavioural economics as a social science and a way of thinking, which reflects these approaches. Following that, I'll characterize the association of the human-focused economy in line with the emerging trends of new leadership theories. Finally, I'll have a look beyond the theory, toward the practice. In this part, I'll introduce some facts and trajectories about the near future regarding the future of jobs and expectations and

the requested leadership performance indicators. Then, I'll draw a comparison between two concept papers that were developed by practitioners; both introducing a new concept of leadership. What are the main trends of leadership and leaders' role and skills expectations in relation to the recent economic, technological, and societal changes?

In our era, changes are faster than ever. Societal, economic and especially technological developments urge adaptation in business as well. Human workforce, the most important assets of all business, is facing new challenges and demands too. Leadership, as an organizational role and as joint of special skills, is also in a transition. This research focuses on expectations and interpretations of the new meaning of good leadership.

Discussion and Analysis

For a fresh looking review on economics, a critical view seemed more useful than a descriptive one. Among the thousand of those, Julie Nelson's perceptive book (Nelson, 2018) is an outstanding one, a kind of manifesto. She characterizes economic models by its metaphors. Using this word is the signature of her human-centred approach since it reminds us that creating and understanding metaphors is a human privilege: artificial intelligence cannot interpret or create metaphors. As she asserts, "I believe that, by carefully examining the history of the use of certain stale metaphors and images in the social sciences, we can come to see that economic gain and ethical values aren't by nature intrinsically separate or opposed" (Nelson, 2018, p.8). Nelson provides a feminist and ecological critic of the mechanical interpretation of the economic system. She asserts that while we are tending to the "body" (the system), we neglect the "soul" (the people). The author argues that that is the reason why *caring* as a soft skill (traditionally attributed to women) is an emerging skill in business and economy. Nelson (2018) explains that the foremost metaphor of the economy was a "machine" for ages. As a part of this machine, all human actors of the capitalist system were

cogwheels. In her book, the author points out that the values of the “invisible hand” theory (the famous concept by Milton Friedman) became an undoubted, yet simplistic ideology (Nelson, 2018).

Nelson does not stand alone with her criticism. The mechanistic and rigid approach has been criticised from the beginning because of moral reasons and conceptual concerns as well. The most famous forerunner of human-focused economics was John Maynard Keynes. His biographer, Robert Skidelsky argues for it being the case „Keynes was a moralist. There was always, at the back of his mind, the question: What is economics for? How does economic activity relate to the ‘good life’?” (Skidelsky, 2010, p. xvi).

Keynes proposed a psychological approach, assuming that people’s decisions are not driven purely by rational initiatives only. This theoretical line of economics, focused on human behaviour, was labelled later as ‘behavioural economics’. One of the leading theorists of the new discipline, George Lowenstein created an important textbook with Jon Elster, the living legend of social sciences, entitled “Choice Over Time”. The title paraphrases Milton Friedman famous book’s title, “Free to Choose”. In the Preface, Lowenstein emphasizes the importance of human decisions in economy. „Why do individuals take account to the future? How is utility from the future consumption experienced in the present? What are the determinants of the pleasure from anticipation and privation?” (Lowenstein 1992, p. 31).

Keynes' famous phrase, the ‘*animal spirit*’ also returned in the title of one of the books, which tried to explain the crisis in the year 2008. The authors, Akerlof and Schiller, argue that the reasons for the crisis can be found in human behaviour. They deal with five psychological factors, explaining how trust works and how people not intended only to have a decent salary, but also whether they feel fairly treated (Akerlof & Shiller, 2010). As the authors explain, “Considerations

of fairness are a major motivator in many economic decisions and are related to our sense of confidence and our ability to work effectively together” (Akerlof & Shiller, 2010, p. 98).

Richard Thaler, the Nobel prize laureate economist emphasized that incorporating psychological factors is not desecration or disruption of economics as a positive science anymore (Thaler, 2000). These are only tools to understand the realm of our social existence. “I am predicting that Homo Economicus will evolve into Homo Sapiens” (Thaler, 2000, p. 141).

Nelson, to compare further metaphors of the capitalist economy, proposes a value-based set of lists. She enables four groups: the contemporary “probusiness” views, the “antibusiness” views, the market-critics views and the point of mechanical commercial life. Nelson believes that only market critics are concerned with the meaning of life by criticizing the mechanic metaphor on three levels (Nelson 2017). She also suggests new and better metaphors for the economy. First, instead of the machine, she proposes a more human-related concept of the “beating heart”, which is a living organism, the organ of circulation, with the needs of energy and nutrients. Second, she proposes the “good husbandry”. It refers to a CEO who is aware of the importance of caring and humanity, not only business performance.

The most influential contemporary management thinkers, such as Charles Handy, Henry Mintzberg and Peter Drucker, go even further than Nelson’s holistic view. They suggest that leaders in the future need to focus more on leading and caring for people instead of managing the business. Mintzberg (2019) in his latest book focuses on the meaning and significance of the context of leadership. Fighting with the mechanical and nonhuman approach, he contemplates that the assembly of parts is not a totality, the same way as a cooperation does not merely equal to be organized or managed. His example is a chart of a cow, showing the parts of the animal, such as a rib, sirloin, and chuck. “It’s a chart of a cow - its parts. In a healthy cow, these parts don’t even

know that they are parts; they just work together harmoniously” (Mintzberg, 2019, p. 39). By this example, the author provides a disruptive interpretation of organizations, creating a new phrase: *communityship*. Mintzberg (2019) argues that people in organizations are not only led by leaders, but they are also attributed to a social context. He proposes that leaders need to understand this context and also the difference between communication and cooperation. From this point of view, he divides the „lofty leadership” and „engaging management” criticizing the dogma of the „effective” leader. Instead, he suggests that leaders should be selected not by their previous achievements, but by their previous failures and flaws – the ones they could find a way to live with. He goes on to debunk that sufficient skills for gaining a position are not the same for performing well. Mintzberg (2019) sums up that leadership is not a toolkit anymore, proposing that “Management has to be practiced as a craft, rooted in experience, and an art, dependent on insights (Mintzberg, 2019, p. 129). According to Mintzberg, leaders should be trained for manufacturing via understanding and practicing the essential mindsets, such as reflection (managing themselves), analysis (managing organizations), worldly (managing the context), collaboration (managing relationships) and action (managing the changes).

Meanwhile, in line with these strengthening ‘Mintzbergian’ *communityship* trends and demands, serious forecasts are proposing that the most important skills in the workplace will be the ones that are not replaceable by machines. They are creativity, innovation, and social influence. These are the privileges of humans, still. Simultaneously, in many areas of business operation will require fewer human resources in the near future since the human workforce will be replaced by technologies and artificial intelligence. According to one of the most highly considerable source of these predictions, the about half of recent jobs and tasks will disappear in a decade (World Economic Forum Report on Future of Jobs Report 2018), while others will come into being

instead, especially in two main areas: the technological expertise-based jobs and the ones based on human skills. It means that the required skills will shift while others will lose their values. The most predicted trend is that the proportion of automated tasks will increase from 29% to 42% in five years in the 12 industries covered in the report. However, regarding the skills in detail, this report reveals that the most demanded human workforce skills in five years will be analytical thinking and innovation, learning capabilities, creativity, originality, and initiative. Although the article does not elaborate on certain jobs and positions, the list of future proof skills include leadership and social influence as well.

But what are the expectations on the part of the companies? What is the trend perceived by businesses, especially regarding leadership? Based on a survey submitted by 1300 chief executive officers (CEOs) in 11 countries of the world's largest economies, the authors of KPMG Global Outlook Report found four main trends: 1) growing headwind in business challenges, 2) realistic chances for growth, 3) increasing digital transformation and at the same time, 4) the importance of intuition in leadership (KPMG, 2018). „You get fascinated by the degree of granularity you get from customers' behaviour from a certain app, but the question is, are the users of this app representative of the whole population a project is serving? You can be driven to wrong conclusions if you just follow the data blindly” interprets this phenomenon Enrique Díaz-Rato, CEO of Cintra (KPMG, 2018, 31).

These data indicate many questions, concerns and also encourage researches to find answers. What are the most successful strategies to survive in the digital world? How to be human and digital at the same time? How can businesses adapt to changes and challenges, and what can leaders do for a resilient organization? There are no straight answers, but there are some assumptions. The most recent researches conducted by big consultancy companies, so I provide a

comparative analysis of those approaches. They are not evidence-based research by academic standards; they are white papers or most likely grey literature. Yet, they all rely on a huge and very up-to-date database. Some of them only describe the current state of play; some of them provide answers or solutions. In the following, I introduce the two most challenging ones, the first one conducted by Stanford University's Centre for Compassion and Altruism Research and Education and the other one issued by Korn Ferry Institute.

In the white paper issued by Stanford University's Centre for Compassion and Altruism Research and Education (CCARE, 2019), researchers suggest that the most critical factors for the sustainability of organizations are adaptability and resilience. Studying several organizations, this research found some characteristics of leadership, which afterwards deducted into the mind-sets and attributes of the "future-proof" leaders. The paper claims that nowadays, five challenging leadership issues can be detected in organizations: leadership (as a skill), self-leadership (as a behaviour), human leadership, social context and drive. According to the authors, studying and understanding them is a crucial issue for businesses for survival and further development in the digital era. The first feature is "leadership", as a skill, which goes beyond a particular role or position. The second issue is "self-leadership" – a certain type of autonomy combined with influencing their followers. The third challenge is a holistic approach: leaders need to be human and emotional, not only a "homo oeconomicus". Fourth, it seems that leaders need to be connected and a part of the surrounding social context. Finally, leaders are expected to be drivers of learning and growth within the organization.

The second study came up with a more provocative conclusion, stating that „No more business as usual" (Korn Ferry, 2019, p. 8). The authors of the report emphasize that according to the investors, traditional and legacy leadership will not be suitable for the future requirements:

globally, the majority of investors believe that current leaders will not be fit for the future. The report quotes Dennis Baltzley, Global Solution Leader, Leadership Development at Korn Ferry: „Our past is no longer a reflection of our future. New sets of principles are emerging, centred around trust and purpose” (Korn Ferry, 2019, p. 8).

This shows that evaluations of the current situation are not that much different. However, there are some suggestions for new frameworks. According to the above-mentioned CCARE research, human-centred leadership behaviours are supported by eight essential mindsets: the ability of caring, abundance, wellbeing, productivity-focused, interconnectedness, collectivistic approach, learning-oriented, and pragmatic mindsets. Moreover, these mindsets can be translated into eight human attributes, such as purpose, courage, foresight, emotional insight, wonder, wisdom, compassion and mastery. The authors argue that these human attributes belong to the core characteristics of the “human-centred” leaders, the leaders of the future. These leaders are capable to influence the organizational climate positively and turn the processes purposefully for themselves and their followers. They also let peers understand the reasons, makes sense of life and work. As the authors of the paper suggest, the most critical attribute of the future-proof leaders is probably the ability to wonder: the origin of curiosity, social resilience and an open mind (CCARE, 2019).

In Korn Ferry Institute’s paper, the authors also introduce their challenging concept. It is called Self-Disruptive Leadership, which is defined as follows: „Self-Disruptive Leaders are highly learning agile, self-aware, emotionally and socially intelligent, purpose-driven, and assured but humble. They proactively modify their methods and attitudes, enabling them to keep pace with the rapidly transforming environments that threaten slower-moving peers” (Korn Ferry Institute, 2019, 10). The Institute developed a five element-model to support the concept, summarizing it as

ADAPT: anticipate, drive, accelerate, partner, trust. As explained in detail, anticipation is a trendsetting behaviour. Drive is about mental and physical energy, harnessing intrinsic motivation, helping recharge followers. Regarding the processes, disruptive leaders need to accelerate new ideas, using an agile method and quick prototyping. Meanwhile, they need to remain a partner within and outside of the organization in order to facilitate and empower innovations and new ideas. Finally, trust is about mutual respect, sharing power, understanding and looking at diversity and new generations as a source of renewal (Korn Ferry Institute, 2019).

Conclusion

It seems that Homo Economicus is facing exile; the mechanic concept of society and economy has widely been criticized in theory and in practice, giving rise to more holistic and human-centred approaches. Contemplating on economics, Richard Thaler, the Nobel prized scientist hopes that we'll evolve Homo Sapiens. Regarding leadership, the very same idea appears in a human research management professionals' paper.

In this essay, I illustrated with thoughts and arguments of economists, business thinkers and practitioners the new demand for humanity. Regarding leaders, as key actors of the society and economy, there are many new and probably frightening demands in the air. By now, leaders assessed by management Key Performance Index. From now, they are expected to be social, wired, compassionate, human-centred, emotional, resilient and conscious. The new leaders need to anticipate the trends, drive changes, accelerate ideas, in partnership and trustfulness of inner and outer stakeholders of the organisation they lead. To date, leaders have been responsible for the figures and the outcomes, from now on, they are responsible for people and processes. Leaders need to discover humanity in them in a compass of a day, in sync with the current times.

Isn't it too much, probably? Or is it too fast, at least? Does it mean that new leaders will be a super-skilled new species on Earth? How can they be selected, assessed, and trained? Is humanity measurable or improvable by training? There are still many questions arising .

However, the idea I sketched in this essay are based on very short-term predictions. In a few years term, we'll see some kind of answers.

Hopefully, given by humans.

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