The Future of Leadership and Management

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Abstract

Leadership is a topic that has been well debated through the years. There are numerous theories of leadership, the purpose of leadership, and what leaders do. What we know in the 21^{st} century is that the nature of leadership is, by necessity, beginning to change or being called to change. Globalization and the merging of three distinct generations leading, and being led by, each other requires the idea of leadership to be re-thought. In this paper we examine various traits of leadership, how leadership is changing in the world, how leadership needs to change in the world, and traits that people will look for in their future leaders.

The Future of Leadership and Management

In the business world today there are two primary categories of leaders: management leaders, who are leaders by virtue of their position, and non-management leaders, who are leaders by virtue of being respected by the workforce. Management leaders are those who have people report to them; they are responsible for annual performance reviews, for utilizing the department budget, making final decisions, and answering to “upper management” or, in the case of the executive board, answering to the shareholders. In contract, non-management leaders are those who are looked up to for their knowledge, expertise, trustworthiness, or other personal factors such as charisma that give other people a favorable impression of them. Though these people may not be given the authority to make final decisions their input is valued by both management and other employees and they hold what we might call “non-authoritative power,” or what Afsaneh Nahavandi called Expert and Referent Power (Nahavandi, p. 150).

Regardless of the category of leader – management or non-management – the role and requirements of leaders has been shifting. Blanchard (2010) and Hamel (2009) both explain that traditional management has excelled at “[powering] economic progress” (Hamel, 2009, p. 91). However, both also believe that traditional management techniques have run their course and, though applicable today, the role of management has progressed beyond them and new, “21st century” techniques of management are required: “… when it becomes obvious that profit … is the driving reason for being in business, *everyone – stockholders, top managers, employees, customers, suppliers, and the community – quickly becomes self-serving*” (Blanchard, 2010, p. xvii, emphasis added).

Note the depth of self-serving people: not just the executive board, who have in recent years been increasingly vilified, nor just the shareholders who share in the executive's vilification by implicit support, but *everyone*. Without any "skin in the game" other than their own job, employees have no reason to excel; knowing that the employee doesn't really care, customers share no loyalty to any one place but instead look for their own personal interests, and the chain continues.

This is not to diminish the need, requirements, or desire of economic profit: people, individual people, do not go into business looking to lose money and put their families at risk. Rather, the argument is that by engaging in a sense of social responsibility and strong employee engagement then employees will be happier, more loyal and increase productivity which will, in turn, have positive effects on customer relations and, ultimately, continue to improve "the bottom line." Gone are the days of managing simply toward a bottom line by reducing costs and other traditional management techniques used to bolster short term profits. Instead, new methods of management and leadership must be used, such as with Southwest Airlines.

Muduli and Kaura (2011), in a case study of Southwest Airlines, put forth the premise that Southwest Airlines is successful in an era when many airlines are suffering financial difficulties not because they choose to keep costs as low as possible, but because they instead focused on empowering their employees to make their customer's flight as enjoyable as possible. People are hired not so much on their skills but for their ability to work together. Employees are empowered to do what they feel is best for the customer. In turn, the customer's experience is elevated, productivity across the board is greater than at Southwest's competitors, and ultimately Southwest's cost of doing business has decreased (Muduli and Kaura, p. 116).

Southwest Airlines may have started its own revolution in the 1970's, but many businesses today still utilize the “Management 1.0” technique of managing. While Southwest Airlines has become what Blanchard would call a “High Performing Organization” (Blanchard, 2010), many businesses today are still primarily “Performing Organization” which exist with the primary task of making money for shareholders. What is needed to turn these organizations into High Performing Organizations is strength in leadership. This leadership change needs to take place at both the business and political level; however, for the purpose of this paper, we will focus primarily on business leadership. These organizations need their managers to become less of a manager and more of a leader.

Obstacles to Overcome

Situation: Profits

These new leaders, however, have a number of obstacles to overcome, the first of which is convincing shareholders that the primary reason for running a business does not necessarily need to be profit. Of course, the concept of profit should not be minimized (no one has any burning desire to enter into a business relationship to lose money, after all) but, as Blanchard puts it, “Profit is the applause you get for taking care of your customers and creating a motivating environment for your people” (Blanchard, p. 4). The new leader must be able to lead the organization’s shareholders that money can be made by investing in people, such as the example of Southwest Airlines. There are other examples, too.

Procter & Gamble (P&G) West Africa has a quantitatively measured not on sales, but on how many people have been touched every year. To that end the Baby Care Group has mobile clinics that travel through areas with high infant mortality rates, refer mothers to hospitals for immunization, offer text-message communication where mothers can ask questions, and provide two free Pampers diapers. The mission is not to make sales, but to save lives. P&G also receives the applause that Blanchard speaks about: "Pamper's sales have soared and … West Africa is among P&G's fastest-growing markets" (quote and summary from Kanter, 2011, p. 72).

Obstacle: Convincing shareholders that employee expenses are investments, not "expenses."

Leadership Solution: Empowering employees to become agents of change with a personal stake results in greater brand loyalty and increased sales.

Situation: Leading (and being led by) Generation X (or Y)

The Baby Boomers are no longer babies. In fact, they are in the upper-middle age bracket and those that came before them, the "old guard," are retiring. Taking the place of these retirees are the 'young' Generation X and younger Generation Y generations (Gen X are those children of the Baby Boomers born in the 70's; Generation Y are those children born in the 80's and later). This is an issue because these three generations do not necessarily share the same values, particularly when it revolves around 'going to work.'

Unlike the generation before them, the Gen X generation is much more apt to put their families before their jobs (NAS Insights), and they are also much less likely to place as much of a permanent bond between employer and employee, with many Gen X employees moving between employers every 3-5 years (Rodriguez, Green, and Ree, 2003). Being that they are more likely to value their family over their job, important considerations for Generation X employees include flexible work hours (NAS Insights). It is also worth noting that money is not the primary motivator behind Generation X as much as it was the Baby Boomers; being more family oriented, the Generation X employee is more likely to enjoy additional time off work. While

Baby Boomers are more interested in working through the evening to get the job done, Generation X'ers are more interested in working through until 5:00 so they can go home with their family (Houlihan, 2008).

Also in play are attitudes while at work. Generation X'ers are very technologically savvy; they grew up with technology and welcome its use. Conversely, Baby Boomers are more apt to enjoy a face to face conversation or the telephone over email and a website. Baby Boomers view Gen X'ers as lazy, un-focused and not committed; Gen X'ers question the Baby Boomers loyal commitment to their employers and do not understand the older generations lack of trust in technology. This serves a dual problem: Baby Boomers who lead Generation X'ers may not know how to get the most from them; conversely, Generation X'ers who lead Baby Boomers need to understand that it is not necessarily possible to "teach an old dog new tricks" (Houlihan, 2008).

Obstacle: Generational divide and differing values.

Leadership solution: Keep an open dialog and sensitivity to other's values.

Situation: Globalization

The generational divide and how to earn a profit in a changing environment are only two issues the leaders of the future must face. There are many others: globalization of the economy and of cultures; varying cultures in the workforce due to globalization and immigration; changing laws, national laws, and international laws. All these individual words can be summed up under one umbrella: globalization.

The leader of the future must deal with globalization and not only in the sense of multi-national companies operating globally; globalization is much more than that. Globalization is immigration, globalization is multiculturalism, and globalization is near instantaneous access via the internet. Globalization is also economic, in shipping and receiving of raw and produced goods, of the trade of food, oil, lumber and knowledge. A labor shortage in the lumber fields in British Columbia could directly affect the price of new housing in Montana. More obviously, a disruption in the oil supply anywhere could affect business everywhere.

For multi-national entities, however, globalization is much more an issue than for those other businesses reliant on imports of raw or manufactured goods. Multi-national companies need to not only work within the confines of the law in every country they are active in, but they also need to communicate openly with all employees effected by, in particular, a shift in labor. This author provides his own experience as example.

Early in the century the multi-national the author worked for (let's named it Widget, Inc), a large multi-national, went forward with a plan to lower costs by shifting work from a high-cost labor location – mainly, the United States – to low-cost labor locations – Malaysia and India. This was done purely as a cost savings exercise to "reduce cost and stay competitive." The company, of course, phrased their communications as a "shift" in labor, while employees whose positions were being "shifted" viewed it more simply: as layoffs. The end result was that labor costs were lowered, but so was productivity: the new employees in the low cost centers needed to be trained and the remaining employees in the high cost centers were unwilling to do so, and so assisted only grudgingly. The new employees were not able to be productive, and the old were not willing. A classic Catch-22 resulted. Not only had productivity dropped, but so did trust: decisions and communication from Widget, Inc's leaders were automatically viewed with suspicion and attempting to 'read between the lines' was common. Morale plummeted, particular in the high cost centers, and more so when it was made public that the new ‘over seas’ employees were allowed more annual holidays and granted more non-monetary Human Resources benefits. Leadership had failed.

Was any of this avoidable? To answer that question satisfactorily one needs to dig deep into the root cause for the original decision: to lower costs, to improve the bottom line. Though arguably a “Management 1.0” decision, the negative effects could have been somewhat mitigated by better communication: “A significant amount of resistance encountered during organization change is caused by a lack of information…” (Blanchard, p. 232). While changes such as a mass change in staffing levels are never easy, a lack of communication only serves to make it worse. This communication must stem from the leaders making the change.

Digging deeper we need to ask if such a change is even necessary. Would it have been possible of layoffs to move labor due to retiring employees, or perhaps buy outs instead of layoffs? We now have the advantage of hindsight and we see it has taken 10 years for productivity to resume earlier levels. Labor costs may have been lowered, but other costs have surely risen and, coupled with a massive drop in productivity, has led to major problems for the company. By focusing on the bottom line via reducing costs instead of focusing on the employees, as is suggested by Blanchard (2010) and Muduli and Kaura (2011), the company suffered years of problems.

Obstacle: Globalization

Leadership Solution: Improved communication on decision making and double-loop analyses of the underlying cause and need of decisions.

Blueprint for Dynamic Planning

It would be easy to say that the only challenges facing our next leaders are globalization and profits; indeed, phrasing the challenges in such simple terms does a dis-service to the level of complexity that Management 2.0 requires. One of these levels of complexity is *dynamic planning*.

Dynamic planning can be loosely defined as the ability to modify current plans and effectively adapt to a changing external environment. Through personal experience in the corporate world we can see that a heavily top-down organization does not have the flexibility or dynamics to respond quickly to a changing marketplace, a view attested to by others (Marler, 2011). This is not to say that bottom-up organizations are any more successful: they might be more flexible to changing demands, but they suffer other problems such as lack of alignment and weak goal setting (Marler, 2011).

Flexible Leadership Theory (FLT) takes a step toward resolving this dilemma. FLT provides a framework within which the executive board of an organization right up to the CEO provide the entire organization the ability to be flexible within their own levels. FLT focuses heavily on human capital as a key component of flexibility as well as process reliability and, most importantly, “innovative adaption and flexibility” (Mahsud, Yukl, and Prussia, 2011, p. 230). Looking at the previous example of Southwest Airlines we see FLT very much at play: employees (human capital) were chosen specifically for their ability to work in a team environment and were empowered to meet the organization’s goal of exceeding customer expectations; because the employees were highly motivated, all Southwest processes were reliable, from loading of luggage and food to the boarding of passengers; finally, when confronted with a changing environment, such as additional competition, the executive board took it upon themselves to be flexible and innovative in their response and continued to gain market share (Muduli and Kaura, 2011).

Yukl and Lepsinger (2005) discuss flexibility at length. Coupled with ideas from Hamel (2007 and 2008) and Blanchard (2012) we can device a blueprint for dynamic planning.

Dynamic planning starts with a goal, or a mission statement. Southwest Airlines mission is to provide the best customer experience possible.

Dynamic planning requires good top-down and down-up communication. Decision makers need to be able to explain their decisions in a clear, concise, and timely manner.

Dynamic planning allows employees the flexibility required to meet and exceed customer expectations. Employees need to be trusted to know to do what is best for the customer; by extension, that will also be best for the company.

Dynamic planning lets anyone be a decision maker, from the executive board to the employee. The executive board will determine goals and missions, and the employees and ‘middle managers' will determine the best methods of meeting those goals in their daily, often non-routine interactions with customers.

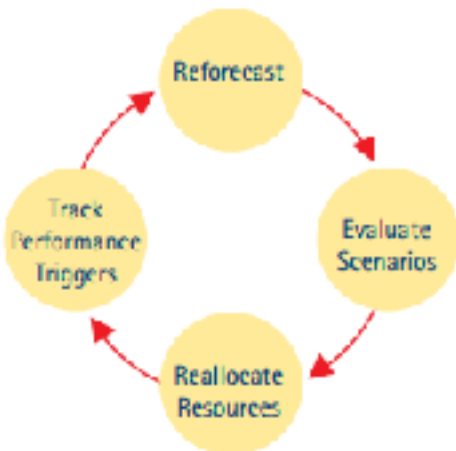
Dynamic planning keeps an eye on the environment, both on a macro and micro scale. High level management will keep an eye on the business environment, and lower management and employees will keep an eye on individual customer demands.

Dynamic planning allows non-management leaders to lead.

Dynamic planning has continual feedback and communication among management, leaders, and employees.

Through the continual cycle of decisions, missions, daily activities, and feedback, those levels of management that are in charge of setting policy and direction can make adjustments to the overall plan while those leading nearer to the customers can make fine-tuned adjustments based on direct feedback. This cycle has been neatly summarized in an article by Accenture detailing their vision of dynamic planning (Batchelor and McCarthy, 2009):

Dynamic Planning



By systematically monitoring a series of performance related triggers, organizations are able to sense changes and respond dynamically by reallocating resources in alignment with the realities.

Source: Accenture definition of Dynamic Planning

New Leadership Disciplines

Dynamic planning, globalization, changing demographics and a changing world all indicate that in order for business to continue to flourish, management needs to change. Management needs to become leaders more than they need to be management. Gary Hamel lays this out plainly: "'Modern' management, much of which dates back to the late nineteenth century, has reached the limits of improvement" (Hamel, 2009, p. 91). Without adapting, "companies will be unable to cope with tomorrow's volatile world" (Hamel, 2009, p. 91). To this end, there are new disciplines that leaders of the future require to be successful.

There is certainly no shortage of literature as to what the leader of the future will need to be able to do: Harvard Business Review held a six week blog session specifically around "Imagining the Future of Leadership" (Harvard Business Review, 2010), Gary Hamel lobbies for a major change in leadership (Hamel, 2007; Hamel, 2008; Hamel, 2009) and Ken Blanchard has built an entire business around it.

Leslie (2009) begins by identifying seven competencies that leaders will need in the future:

1. Leading people.
2. Strategic planning.
3. Inspiring commitment.
4. Managing change.
5. Employee development.
6. Balancing personal life and work.
7. Decisiveness (Leslie, 2009, p. 6).

How management goes about fulfilling these competencies is also the subject of much literature. Hamel and Blanchard both argue for greater transparency and a much greater focus on the employee rather than the "bottom line." The leader of the future will need to realize that by focusing on the employee productivity will then rise as will sales. This can be summed up in three additional competencies:

1. Trust in employees.
2. Empowerment of employees.
3. Investment in employees.

One additional competency a leader of the future must have is the ability to identify how individual employees need to be lead. Ken Blanchard identifies four different leadership styles to apply to employees through their development cycle, ranging from a high level of personal direction until, ultimately, the employee is ready for little direction and is able to follow personal direction (Blanchard, 2010, p. 116). This leads to one last competency to mention:

1. Identify the needs of your employees.

We had discussed previously the need for understanding generational differences in work and life values. In identifying the needs of employees, the future leader will be able to also identify generational gaps and not only work with them, but to take advantage of them for the benefit of all.

Past Leadership Lessons

The history of humankind has very much been the history of leadership (for better or worse, history does little to espouse the virtues of how the common individual man made great strides). Some of history's leaders have been wildly successful. Some have not. What have we learned?

It is not required to look past the immediate past to see failures of leadership in action: the very recent issues with Penn State and the child molestation scandal rings true. If the accusations that some of the highest levels of trustees knew of molestation issues and did not act accordingly then there is a failure of proportions much larger than leadership, but of ethics and law as well. Without passing judgment, if true, the lesson we can learn from this is that leaders must act with the utmost integrity at all times, under all circumstances. Whether the public beliefs are true is irrelevant; the fact that they had the beliefs of impropriety and failure to act was enough for punishment to be handed out by the NCAA. When one acts with integrity, openness, and transparency then one need not fear – at least as much – the turning tide of populism.

Another interesting aspect of the Penn State scandal is that it might not have happened if, according to Louis Freeh, the University as a whole was not so immersed in the culture of football (O'Brien, 2012) the leaders within the organization might be better able to respond to issues: "Culture … also determines the organization's readiness for change" (Blanchard, 2010, p. 242). An organization's culture is not necessarily easy to identify or to escape, but an understanding that it exists must be central to any leader's skill set. A blindness to the effects of organizational culture leads to groupthink which, in turn, leads to an 'us vs. them' mentality and, ultimately, the barricading of 'us' from the 'outside' even when 'we' are in the wrong.

Farther back, around the turn of the century, we have business scandals: CA, Enron, and Worldcom were all business disasters stemming from legal-but-ethically-questionable behavior to outright illegal behavior. Executives at the highest level engaged in misleading activities, backdating stock options or sales dates, to plain fraud. Simply put, these actions were based in the traditional premise of 'profit for the sake of profit.' There was a failure of leadership to lead ethically, there were failures of oversight by external auditing firms, and there were failures of shareholders to ask just how incredibly huge profits could be made year after year. What we can learn from this is some truth from the old adage, "If it is too good to be true, it probably is." On a deeper level there are some greater lessons.

One primary reason the Enron leaders were capable of such actions was because their shareholders let them do it. Annual shareholder meetings exist to elect the board and provide input on corporate direction; however, as long as the shareholders are making money, there is little need for them to question the board (profit for the sake of profit). This type of attitude simply does not fit the paradigm of the business of the future:

> Rather than viewing organizational processes as ways of extracting more economic value, great companies create frameworks that use societal value and human values as decision-making criteria. They believe that corporations have a purpose and meet stakeholders' needs in many ways: by producing goods and services that improve the lives of users; by providing jobs and enhancing workers' quality of life; by developing a strong network of suppliers and business partners; and by ensuring financial viability, which provides resources for improvements, innovations, and returns to investors (Kanter, 2011, p. 68).

These organizations listed failed owing as much to a lack of leadership, ethics, and values as much as greed.

Just as there are lessons to be learned from negative situations, so there are lessons to be learned from positive. The first, and perhaps penultimate lesson, in positive leadership is given by Winston Churchill at a commencement speech at Harrow School:

> Never give in. Never give in. Never, never, never, never – in nothing, great or small, large or petty – never give in, except to convictions of honor and good sense. Never yield to force. Never yield to the apparently overwhelming might of the enemy (Education Insider, 2011).

If ever there were lessons to be learned in positive leadership, one can learn them by reading Winston Churchill. In the face of adversity and overwhelming odds against him, Winston

Churchill led Great Britain through arguably its darkest hour with virtue, courage, dogged determination and integrity. This was positive leadership at its best, rallying the citizenry, urging them upward, forth, and to reach for the common goal regardless of personal cost. If every CEO shared Winston Churchill's values we would have little worry about corporate ethics and morals.

Leadership of the Future

The Baby Boomers are nearing retirement, or retiring; they are in their fifties and sixties. The Gen X'ers are in their 30s and 40s and increasingly taking the leadership roles that the Boomers are leaving open. Following them, Gen Y'ers are entering the workforce. In addition to all the issues already discussed that future leaders need to address, there are specific items that our new, younger workforce are going to look for in their leadership.

Leaders, particularly of Gen X'ers, will need to build relationships. (Rodriguez, Green, and Ree, 2003).

- Leaders will need to instill trust. Less than 20% of Americas trust business leaders; even less trust our political leaders. (George, 2008).
- Leaders will ask questions, not as interrogation, but to get a better understanding of organizational vision. (Taylor, 1999).
- Leaders of the future will encourage open communication (Mind Tools).
- Leaders will instill a sense of belonging, be technology savvy and team-oriented, appreciate diversity, and be family-supportive (Kodatt, et al, 2009).

Future generations are going to look for leaders who are trustworthy and look to build, not divide. Leaders will be looked to not to provide a vision, but to help build it in a collaborative effort. Leaders will need to understand that they can no longer blindly tell people what to do – Generation X and beyond is no longer interested in blind faith. Finally, leaders will need to understand that in order to succeed, one must also fail. Just as there could be no Good without Evil, there can be no Success without Failure. In the words of Winston Churchill: “Success is never final. Failure is never fatal. It is courage that counts.”

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