

## CHAPTER 2 - NEW ECONOMY LEADERSHIP

### 2.1 INTRODUCTION

The death toll has sounded for most of the business paradigm's of the past decade. We are entering an exciting new generation that will see the rise of innovation, creativity, change and transformation. Toffler (1980:15) once said: "A powerful tide is surging across the world today, creating a new and often bizarre environment in which to work". Organisations realize that the corporate model that they have followed for many years, may be outdated. Businesses in South-Africa are still clinging to the "old" management model. South-African business has fallen into the ditch of being 10 years and more behind the rest of the world and quite comfortable to stay there (Oosthuizen & Kruger, 2004:14). Excuses such as labour problems, poor economy and political turmoil to name a few is often given as reasons for poor business performance. The growing mental impotence and compounded misjudgement erodes confidence and increases the strategic myopia of the management team (Nasser & Vivier, 1993:6).

Leadership philosophy has to fit into the new economy. It has to become a "mental revolution" both for management as well as for the organisation at all levels (Oosthuizen et al., 1990:4).

Grönroos (2000:11) identifies that the post-industrial economy has been given different labels; information economy, knowledge-based economy, service economy, even the new economy. Nasser et al. (1993:7) refers to the new generation economy and is concerned with investigating the phenomenon of new generation organisations in South Africa. New generation organisations are organisations which are recognised for their high degree of innovation, psychological stamina and levels of creativity. According to Nasser et al. (1993:8) these organisations are typified by their ability to create value despite the many negative factors and that they can overcome "tunnel vision" to become 'can do' organisations.

## **2.2 WAVES OF CHANGE**

Oosthuizen et al. (2005:4) states that a study of liberation management philosophy is needed to enable businesses to benefit from opportunities arising from the information age and to prepare for the threats arising from these very same changes. Organisational leaders therefore have to fit into the new economy age.

Hickman and Silva (quoted by Oosthuizen et al., 2004:5) said: “We must welcome the future, remembering that soon it will be the past; and we must respect the past, remembering that it was once all that was humanly possible.” Waves of change are a good metaphor as waves are unstoppable, inevitable, powerful and timeless.

A new generation is emerging in our lives. This new generation brings with it new family styles; changed ways of working, loving, and living; a new economy; new political conflicts. This new generation exists today. Millions are already attuning their lives to the rhythms of tomorrow (Toffler, 1990:23). This new civilization is a fact of our lifetimes. It is therefore the key to understanding the years immediately ahead.

### **2.1.1 First wave**

The first wave of change was unleashed ten thousand years ago by the invention of agriculture. This agricultural revolution began, and it crept slowly across the planet spreading villages, settlements, cultivated land, and a new way of life. The First wave era have begun sometime around 8000 BC and to have dominated the earth until sometime around AD 1650-1750. According to Toffler (1980:24), during the long millennia when First Wave civilization reigned supreme, the planet’s population could have been divided into two categories- the primitive and the civilized. The so called “primitive” people living in small bands and tribes and subsisting by gathering, hunting, or fishing. This era was therefore also called the “Hunter-Gatherer” economy. In this economy leadership was male and gravitated around those who were fitter (survival of the fittest), stronger and the fastest. The “civilized” world on the other hand was mostly the people that worked the soil. This era was typical of authoritarian power. As this nomadic epoch gave way to an economy that was based on land ownership, the “Agricultural” economy leadership

still a male domain went to those who owned the land. Management was simple and limited to production and survival.

### **2.2.2 Second Wave**

According to Toffler (1980:27) by the end of the seventeenth century the industrial revolution broke over Europe and unleashed the second great wave of planetary change. Industrialisation began moving much more rapidly across nations and continents. Today the first wave has virtually subsided. Toffler (1980:27) points out that the second wave has revolutionised life in North America, Europe, and other parts of the globe in a few short centuries. Steel mills, textiles factories, railroads and food processing plants are examples of what were built in the industrial revolution era.

More job opportunities were created. As knowledge increased and development opportunities expanded, so urbanisation increased. Gradually machines took over the work of humans. Toffler (1980:36) points out that this led to unemployment and the rise of labour unions. Toffler (1980:35-70) states that the second wave period was characterised by autocracy, bureaucracy, hierarchical structures with standardisation and restraint by rules and regulations, as well as a search for security, stability and order.

Standardisation and specialisation were two of the most familiar principles of the Second Wave era. Industrial societies turned out thousands of identical products. This era saw the emergence of the organisation with its hierarchical structures and the obvious dichotomy of blue collar labour and white collar leadership. Toffler (1980:28) states that this was the decade that white collar outnumbered blue-collar workers for the first time. Both the function and nature of leadership remained distinctively male in character.

### **2.2.3 Third Wave**

As this process continues, another, even more important has begun. Toffler (1980:104-107) stated that the third wave began after the Second World War. The Third wave began to spread across the earth and had transformed everything it touched. The strength of these companies lies in change, in the ability to transform their products and organisation in response to changes in the economy, in social habits and in customer interests. Toffler (1980:45) indicated that organisations should become multi-purpose. They should get involved in ecology, politics and the social environment. Toffler (1980:18) predicted that the organisations are not prepared to accept these responsibilities and that a change in management is essential to be able to adapt to these changes.

South –Africa with its rapid change is currently at the forefront of the development of Third wave leadership and is confronted by the three concepts which will form the basis of the new model of business management:

- A climate of creativity, innovation and adaptability: Management must create the climate. Creativity and innovation must actively be promoted.
- Entrepreneurship: The ability to recognise opportunities and to take risks.
- Vision strategy: The ability to visualise change.

### **2.2.4 Contrasting management/leadership styles**

The ability to adapt to change is one of the most important differences between Second and Third Wave organisations. Table 2.1 is setting out the contrasting management paradigms between the second and third wave management styles and behaviours.

**Table 2.1: Contrasting management paradigms**

<b>Characteristic</b>	<b>Second Wave</b>	<b>Third wave</b>
Organisation	Hierarchy	Network
Output	Market Share	Market creation
Focus	Institution	Individual
Style	Structured	Flexible
Source of strength	Stability	Change
Structure	Self-sufficiency	Inter-dependencies
Culture	Tradition	Genetic code
Mission	Goals/strategic plans	Identify/directions/ Values
Leadership	Dogmatic	Inspirational
Quality	Affordable best	No compromise
Expectations	Security	Personal growth
Status	Title and Rank	Making a difference
Resources	Cash transaction	Information
Advantage	Better sameness	Meaningful differences
Motivation	To complete	To build

Adapted from: Oosthuizen and Kruger (2005:9)

### **2.3 FROM THE THIRD WAVE AND MOVING ONWARDS INTO THE 21<sup>ST</sup> CENTURY**

We see a Fourth-Wave following close upon the Third (Oosthuizen et al., 2004:15). Huge emphasis is placed on co-creation of management and employees.

Next to arrive was the shift into what we commonly refer to as the “Information” age or “Knowledge” economy or more commonly referred to as New economy trends. The first cracks in the male leadership mantle began to appear as an individual with

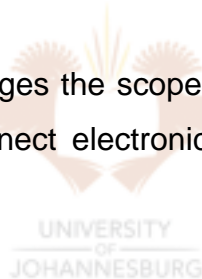
access to education and opportunity could now lead. In the new economy we can identify three long-term trends: the rise of networks, the growth of knowledge, and the globalisation of trade. New economy leaders have to think differently about their world. Trust has always been important in organisations. In the new economy value creation depends on ideas and innovation. Trust encourages the exchange of ideas, which in turn, promotes innovation. New economy organisations will be identified as organizations where people continually expand their capacity to create the results they truly desire and where collective aspiration is set free, and where people are continually learning how to learn together.

The organisation that will truly excel in the future will be the organisations that discover how to tap people's commitment and capacity to learn at all levels in an organisation (Senge, 1990:4).

#### **Trends of the new economy:**

- **The rise of networks**

Information technology enlarges the scope of an organisation's activities, As more people and businesses connect electronically, it leads to a shift in relationships within an organisation.



- **The growth of knowledge**

It happens more and more that new ideas and information create value in companies. With this comes the challenge for managers to manage innovative ideas.

- **Globalization of trade**

With borders falling away, companies must take a new look at their world. Who are the new customers, competitors and suppliers? How must we change our strategy to manage across cultural boundaries?

The new economy era has started in the early 1980's and is identified by cable technology, biotechnology and nanotechnology.

A significant number of participants in the research indicated the importance of addressing the challenges of globalisation and the global mindset, as they

expected a massive increase in the number of multinational firms entering local markets (Nasser & Visser, 1993:45).

- **Technology**

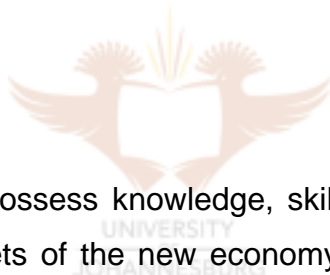
Technology is revolutionising the nature and speed of communication within and between companies. The internet allows for huge amounts of data and information to be rapidly transmitted, anywhere, anytime. This enables companies to forge ever-closer relationships with customers and suppliers, but it also poses risks, some of which are dubbed “cyber liabilities”.

- **Intangible assets**

Traditionally, companies were valued on assets as they appear on the balance sheet. In recent years value has been calculated on the intangible assets such as various forms of intellectual property, codified knowledge about a product, customer assets or human capital.

- **The war for talent**

Talented people, who possess knowledge, skills and ideas, are among the most valuable intangible assets of the new economy. Increasingly, talented people will invest their energy and talent only in organisations with values and beliefs that match their own. Table 2.2 characterised the differences between the second, third and fourth wave organisations.



**Table 2.2: Characteristics of second, third and fourth wave organisations**

Characteristics	Second Wave	Third Wave	Fourth Wave
Corporate role:			
Goals	Maximise profits	Create value	Serve as global steward
Motivation	Make money	Make money & help solve societal problems	Leave a valuable Legacy for the future
Values	Profit, growth, control	Creating value, trust, learning	Responsibility for the whole, service and

			personal fulfillment
Stakeholders	Owners of business, stockholders	Stakeholders, employees, families, suppliers, customers, communities, government	Stakeholders, employees, families, suppliers, customers, communities, government, ecosystems
Outlook	Self-preservation: Business as a way to make a living	Co-operation: Business as a way for people to grow and serve	Unity: Business as a means to actively, promote economic & social justice
Domain	National & local: 5-10 years in future	International: Share responsibility for the welfare of local, national and global communities; decades in future	Global: Share leadership in local, national and global affairs; generations or centuries in future
Corporate Wealth:			
Definition of wealth	Financial reward from tangible assets	Financial reward and improved quality of life	Quality of life and alignment with the natural order
Ownership	Stockholders	Direct and indirect worker ownership	Communication
Assets	Physical plant, inventory	Plant, inventory, intellectual capital, diversity	Ideas, information, creativity, vision
Performance measures	Financial accounting	Financial accounting with increase use of social accounting	Social and resource accounting
Corporate Structure:			
Structure	Hierarchy, matrix, business unit	Team-value	Community model
Locus of control and authority	Centralised, top-down	Democratic participatory	Consensual discussion making: everyone a leader, everyone a follower
Role of	Decision maker,	Coach, servant,	Non-existent



management	serves higher levels of management and owners	facilitator, advocate	
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Adapted from: Oosthuizen and Kruger (2005:19)

## 2.4 LEADERSHIP AND CULTURAL TRANSFORMATION IN ABSA BANK

Kotler and Keller (2003:50) define organisational culture as shared experiences, stories, beliefs, and norms that characterise an organisation.

Organisational development drives the leadership and culture transformation journey in ABSA Bank. Organisational development guides organisation building behaviour by nurturing the corporate culture and global best practices to enhance ABSA's sustainable competitiveness.

Organisational culture transformation is one of the ways in which organisations ensure their sustainability in a continuously changing business environment. The ability to cope with change lies in the core of ABSA's leadership and culture transformation. Changing the way we think leads to the change in behaviour and consequent change in the culture of the organisation. Leaders need to start thinking differently about themselves in order to challenge the "mental models" in order to transform the organisation and its culture. "Mental models are deeply ingrained assumptions generalisations, or even pictures or images that influence how we understand the world and how we take action" (Senge, 1990:8).

ABSA as an organisation therefore strive towards entrenching Fourth Wave principles. The fourth Wave can also be referred to as the new economy era. ABSA bank specifically uses the term new economy leadership to refer to the new era in which the financial institution is operating in. The fourth Wave is expected to grow out of the trend towards widening the purpose of doing business. Business will be viewed as a means to gain personal fulfilment .Strategic planning will focus on leaving a valuable legacy for the future and to serve others.

ABSA Bank is using a model called high performance leadership. This model aims to shift an organisation's leadership culture from mediocrity to high performance through change leadership, where everyone in the organisation is defined as a leader irrespective of their level of work. This is one of the locus of control and authority characteristics of the New economy leadership corporations (Fourth Wave corporations). Refer to Table two point two. This model has been adopted by ABSA bank and implemented in January 2003.

## 2.5 THE FOUR LEADERSHIP PARADIGMS IN ABSA BANK

There are four leadership paradigms which reflect the values of old economy versus new economy paradigms. As ABSA becomes more independent and interdependent, it is transforming, rejecting old economy paradigms and practices. Table 2.3 below compare the old paradigms with the new paradigms. ABSA bank has to entrench these new economy paradigms in the future.

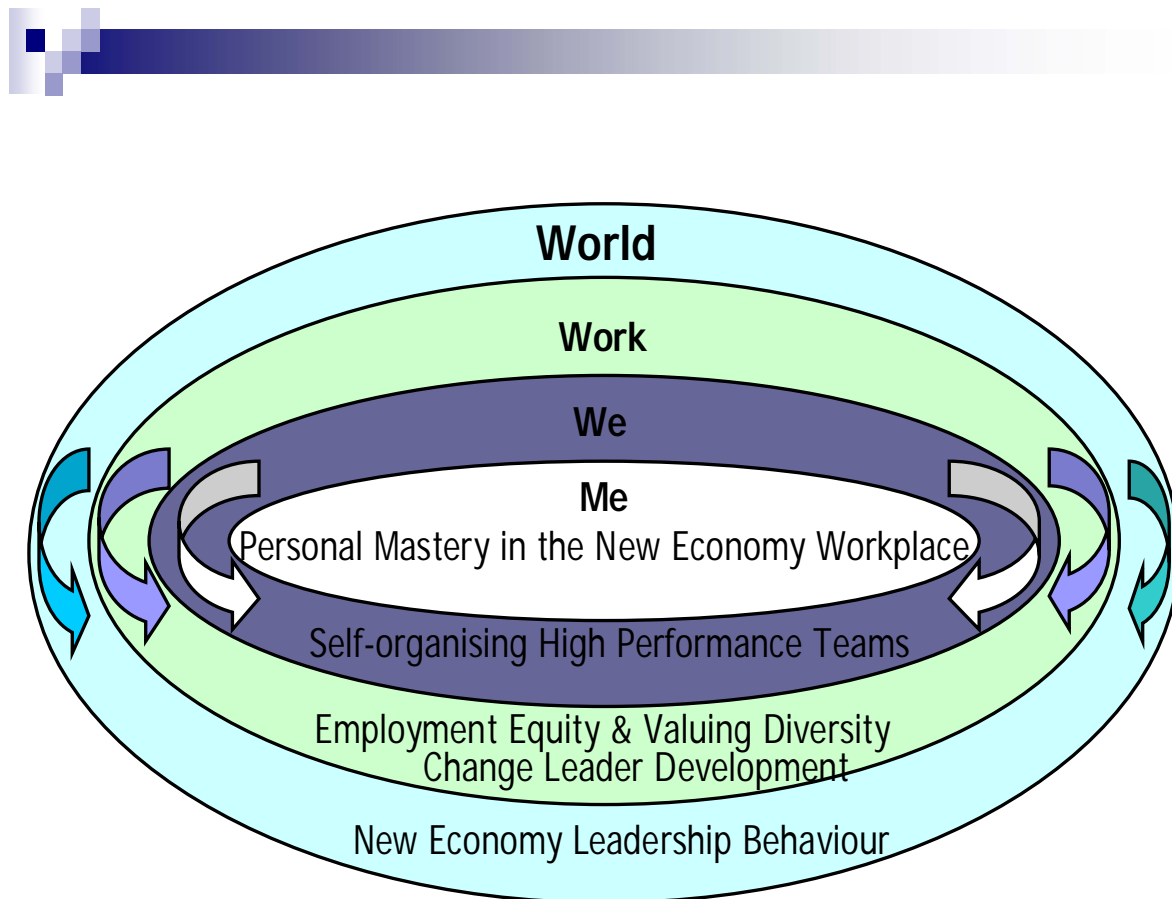
**Table 2.3: Old economy paradigms vs new economy paradigms**

Old economy paradigms	New economy paradigms
<p><b>Adversarial</b> Leadership events occur in a hostile, disrespectful, conflicted, perhaps secretive manner.</p>	<p><b>Independent</b> Individuals take care of themselves, their initiatives determine the contents quality of management events</p>
<p><b>Dependent</b> Leadership events are materialistic driven by the person in authority</p>	<p><b>Interdependent</b> Individuals and stakeholders (manager, colleagues, customers and service partners)co-determine management decisions. Partnerships, not paternalism dominates.</p>

Source :C Nel [ABSA (2004)]

Following on from the leadership paradigms, ABSA developed a conceptual framework (see Figure 1.1 below) to enhance change resilience in its leadership culture and to entrench the five drivers of Leading the ABSA Way. The model is based on new economy leadership competencies: “me”, “we”, “work” and “world”.

**Figure 2.1 The performance drivers of PFS**



Adapted from: [ABSA BANK: 2004]

## **2.6 IMPLEMENTATION**

Five workshops were developed and implemented nationally to entrench the five drivers of Leading the ABSA Way, as well as the behaviours that ABSA needs to embed in the culture, to sustain high performance in the new economy.

### **2.6.1 Personal Mastery in the New Economy Workplace**

The purpose of personal mastery workshops is to entrench the high performance leadership competency “Me” in ABSA Bank.

“Personal Mastery is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively (Senge, 1990:7).

The outcome of the workshop was the achievement of a sense of purpose and meaning in life and work through a process of self-discovery focusing on the life vision, purpose and values and the aligning of these with ABSA’s vision, purpose and values. “Building shared vision fosters a commitment to the long-term” (Senge, 1990:12). The workshop also addressed emotional intelligence, the taking up of personal authority, as well as the branding of the ‘self’ by means of self-marketing and self-promotion within the workplace. Great emphasis was placed on the strategies to remove mental models that can influence how we understand the world and how we take action. Mental models therefore on the focus on the openness needed to unearth shortcomings in our present ways of seeing the world.

Management should be responsible for business variables. Poor performance is often blamed on external factors. Debates have been centred on the need for a mental metamorphosis to remove the deeply rooted paradigm that managers cannot be held fully accountable for corporate performance due to adverse external factors (Nasser & Vivier : 1993:42). Leaders therefore in the new economy need to adapt to the market. The management teams therefore need to change its paradigms as rapidly as the environment.

### **2.6.2 Self-organising high performance teams**

The purpose: Is to entrench the high performance leadership competencies “We”, “World”, “Work” and “ Me” as well as the Leading the ABSA Way drivers “Levels of

Work”, Performance and Consequence Management” and “Talent Management” in ABSA’s leadership mental models, leadership behaviour and organisational culture.

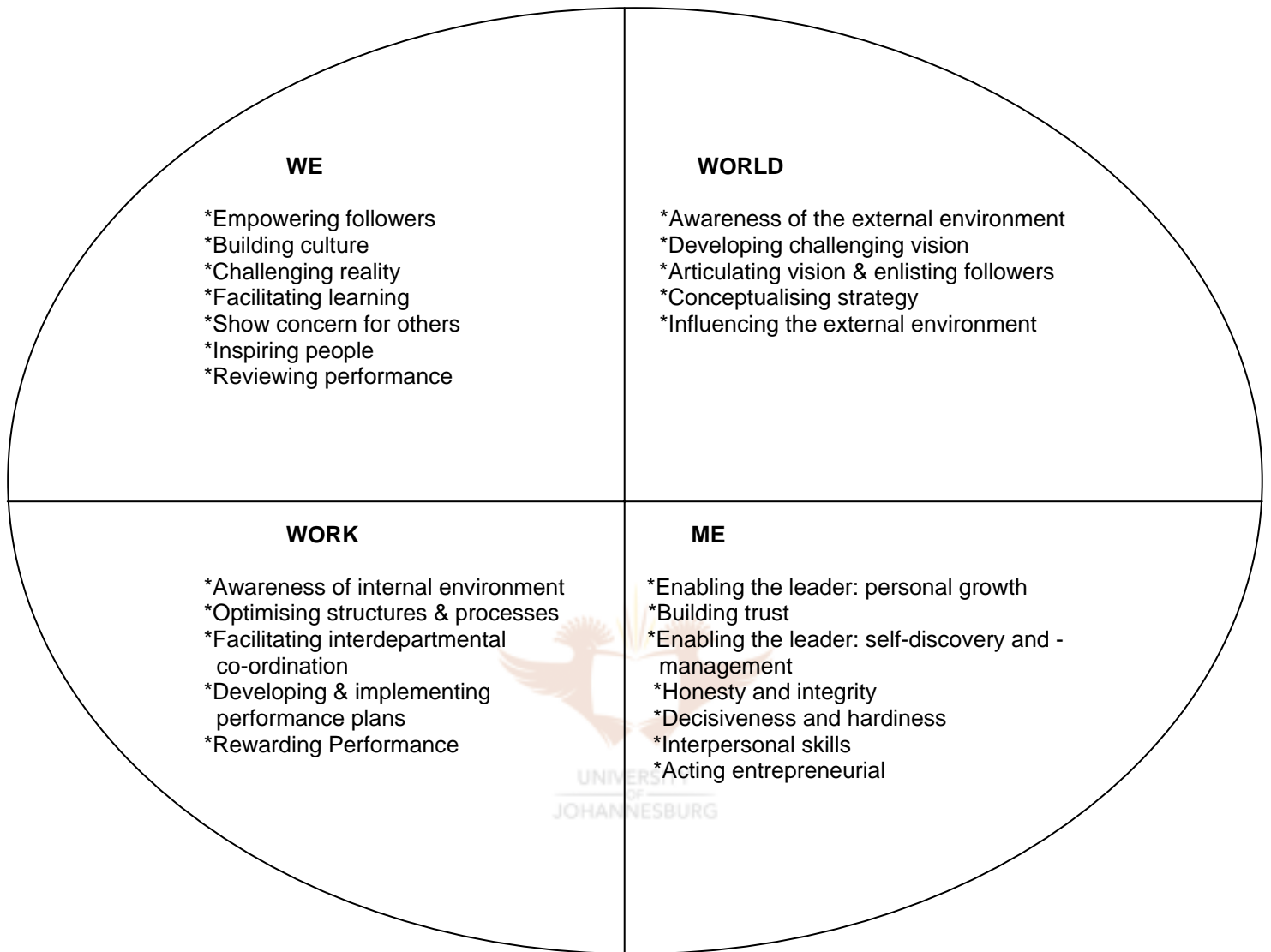
- **Process:** A three-day workshop for teams within different business units was held. The workshop was also offered across business units boundaries to enhance inter-group relationships towards cross-boundary collaboration in ABSA. Refer to Figure 2.2 for the workshop discussions that took place with regards to the high performance competencies.
- **Outcome:** Team learning is also entrenched in ABSA bank and is vital because teams, not individuals, are the fundamental learning unit in modern organisations. The discipline of team learning starts with ‘dialogue,’ the capacity of members of a team to suspend assumptions and enter into a genuine thinking together” (Senge 1990:10).

It is crucial that the self-organising high performance team’s vision, purpose and values and the incorporating of these with the individual team member’s life vision, purpose and values are entrenched.

Figure 2.2 gives a brief overview of the main discussions of the workshops that were held.



**Figure 2.2: HIGH PERFORMANCE LEADERSHIP**

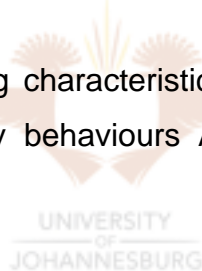


Source: C NEL [ABSA (2004)]

### 2.6.3 New economy leadership behaviour

- Purpose: To shift leadership behaviour from old economy to new economy leadership and culture practices to entrench the high performance leadership competencies “Me, We, Work and World” as well as the Leading the ABSA Way driver “New Economy Leadership Behaviour and the 360 Degree Assessments” in ABSA’s leadership mental models, leadership behaviour and organisational culture.
- Process: A two-day workshop within the context of a simulated organisation. A context is also created for personal feedback on leadership behaviour including 360 Degree Assessment feedback profiles. The workshop is offered across different Business units in order to enhance cross-boundary collaboration.
- Outcome: An increased awareness of own and group behaviour through personal feedback and the 360 Degree Assessment create a context for the development of leadership behaviour and organisational culture.

Table 2.4 is giving contrasting characteristics of the old and new economy and is showing which new economy behaviours ABSA PFS must entrench in order to change and develop leaders.



**Table 2.4: Old economy vs. new economy**

ABSA needs to :	
Abandon Old Economy Hierarchical Power	Entrench New Economy Democracy
<ul style="list-style-type: none"> <li>• Autocratic leadership behaviour</li> <li>• Bureaucracy</li> <li>• Hierarchy</li> <li>• Positional power</li> <li>• Victimization &lt; Favouritism</li> <li>• Prescriptive behaviour</li> <li>• Blame culture</li> <li>• Risk averse thinking</li> <li>• Non-accountability</li> <li>• Non-confrontational</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage ongoing feedback</li> <li>• Valuing diversity</li> <li>• Talent management</li> <li>• Democratic &amp; personal authority</li> <li>• Tolerance of failure</li> <li>• Continuous self-development</li> <li>• Entrepreneurial behaviour</li> <li>• Reward personal leadership</li> <li>• Strategise and implement</li> </ul>

<ul style="list-style-type: none"> <li>• One up man ship: “I am the boss”</li> <li>• Rigidity</li> <li>• Stick approach</li> <li>• Silo behaviour</li> <li>• Tolerance of non-performance</li> <li>• Exclusivity</li> <li>• Top-down management and decision making</li> <li>• Abdication</li> <li>• Empire building</li> <li>• Holy cows</li> <li>• Centralised policies and control</li> <li>• Entitlement culture</li> <li>• Surrender to “yes men”</li> <li>• Slow reaction time and procrastination</li> <li>• Nice to one-another culture</li> <li>• Rule by fear</li> <li>• Leadership/management operational focus</li> <li>• One-size-fits-all strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Balance between Group and SBU governance</li> <li>• Matrix management</li> <li>• Individualism</li> <li>• Emotional intelligence</li> <li>• Ability to energise people</li> <li>• Encourage creative environment</li> <li>• Embrace reverse mentorship</li> <li>• Global trends awareness</li> <li>• Empowerment of all</li> <li>• Business intelligence available to all</li> <li>• Promote ownership culture</li> <li>• Leaders should allow to be challenged</li> <li>• Work out non-performance</li> <li>• Reward “New Leaders”</li> <li>• Value and ethics driven</li> <li>• Transparency</li> <li>• Integrate client base of best practices</li> <li>• Ownership</li> <li>• Radical decentralised resources and responsibilities</li> <li>• Social responsibility</li> <li>• Knowledge management</li> <li>• Accountability for own employability</li> <li>• Integrated boundary less organisation</li> </ul>
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	<ul style="list-style-type: none"> <li>• Full optimisation of people potential</li> <li>• Living organisational values</li> </ul>
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Source :C NEL [ABSA (2003)]

#### **2.6.4 Change leader development**

- Purpose: To lead and guide the human response to change effectively and to entrench the high performance leadership competencies “Me, We, Work and World” in ABSA’s leadership mental models, leadership behaviour and organisational culture.
- Process: A three-day workshop within the context of a simulated organisation. The development includes training in ABSA’s People Change Enablement methodology as well as project planning principles to ensure that leadership and change initiatives from Group Business Change Enablement are change enabled.
- Outcome: An increased awareness is achieved on the human response to change such as unconscious defence mechanisms against the implementation of group change and transformation processes and interventions. Tools such as facilitation skills, the running of dialogue groups and co-counselling are developed to lead and guide change effectively through the change cycle. Change leaders are also able to implement change in line with ABSA’s People Change Enablement methodology and project management principles.

#### **2.6.5 Managing complexity and valuing diversity in South Africa**

- Purpose: To entrench the high performance leadership competencies “Me, We and Work” as well as the Leading the ABSA Way driver “New Economy Leadership Behaviour” in ABSA’s leadership mental models, leadership behaviour and organisational culture.
- Process: A three-day workshop within the context of a simulated organisation. The workshop is offered for leaders within the same or different business units.
- Outcome: An increased awareness is achieved into the unconscious splits created by apartheid. Insight is also achieved into unconscious white power

dynamics and socially structured defence mechanisms against employment equity initiatives within ABSA. By talking about the past, present and future including visits to the apartheid museum, we create a context of valuing diversity through the eyes of the 'other'. Through story telling, we make unconscious socially structured defence mechanisms such as the setting up of black leaders for failure in ABSA conscious, so that change and transformation can unfold.

### **2.7 Lifting the ABSA leadership ceiling**

Lifting the ABSA Leadership Ceiling was implemented during 2004 to encourage business heads to take up their leadership roles and engage in cross-business collaboration to break down silo behaviour and enhance ABSA's functioning as a high performance organisation. Workshops during 2004 focused on the human response to change, collusion dynamics against change and transformation as well as human dynamics that prevents collaboration between business units.

The purpose of this phase was to move away from political transactions driven by territorial power to the taking up of more transformational leadership roles in high performance teams. The workshops were designed to enhance learning and development, improve ABSA's implementation capability and improve levels of trust in ABSA.

### **2.8 Leading the ABSA Way: 2005 and beyond**

Initiatives to optimise ABSA's functioning as a level 6 organisation and further entrenchment of the five drivers will continue during 2005 and 2006 through initiatives for Business Heads such as Lifting the ABSA Leadership Ceiling and through the High Impact Leadership Competencies of "Me", "We", "Work" and "World". The transformational workshops entrench the drivers of Leading the ABSA Way and are therefore part of the Human Capital Plan.

### **2.9 ADI and top management development**

The development of the next generation of business leadership is one of the biggest challenges facing organisations not only locally but also globally, because leadership is the difference that will make the difference.

### **2.9.1 ABSA Development Initiative (ADI)**

ABSA development Initiative (ADI) offers employees with potential, who are 35 years or younger, a series of growth opportunities in view of the demands likely to be posed by the current and future world of business. ADI helps to develop skills across all levels of complexity (operational; organisational; strategic; global) and across conceptual and emotional dimensions. ABSA's point of departure is that leading within a world of complexity requires a well-developed individual. This means that the individual has a strong conceptual ability and high emotional and social intelligence, which enables him to behave appropriately in a given situation.

### **2.10 Conclusion**

The ability of an organisation is to renew itself through innovative ideas transformed into business opportunities has become essential for future sustainability and competitiveness. This ability to encourage a culture of organisational renewal that nurtures new ideas for competitive products and services is fundamentally dependent on a leadership culture that breeds and supports innovation and change in a new economy era. Changed mindsets and strategies are needed to satisfy customers' needs and to retain loyal customers in the new generation era. Customer relationship management therefore becomes a critical integrated part of new economy leadership and will be discussed in Chapter three.