

# LEADERSHIP IN THE GLOBALIZATION ERA

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*„It is that easy, Anji-san: you should  
change just the world concept”.*  
James Clavell, *Shogun*

## Paradigm change

*“I think we have enough good reasons to believe that the modern epoch has finished, Vaclav Havel said. Today, there are many things that prove us that we are in a period of transition in which something is about to disappear and something else is about to be born. It is as if one thing dissolves, disintegrates and disappears, while another, not yet defined, saves from ruins.”*

We are the witnesses of one of the most profound economic revolution that even shake the humanity. It is a consciousness search of a new worldly order in which the economics dominate politics and sociology. Industry, commerce and finance will not get along at all with the national framework, becoming too squeezed. Multinational companies with as much financial power as Belgium, for instance, will blow the frontiers, constraining states to obey. They will produce where the costs are lowest, sell where the markets are most profitable, transfer profits in order to pay the least taxes, research the virtual organization and bring the innovation everywhere. “The world – according to Maurice Allais, Nobel laureate – has been transformed into a huge casino, with tables placed on all parallel and meridians.”

This new mode of doing business requires a new way of thinking. As Kuhn said, we need a change of paradigm. Otherwise, the reality will seem very paradoxical, an upside-down world, as at first sight the below sample seems.

When Mitsubishi wanted to place its first automobile factory in the United States that was going to compete with American Industry at home, four States stimulated by the labour force that could be engaged (new jobs) competed in order to offer the best opportunity. The winner was Illinois that promised 10 years of direct help that valued 276 million dollars that is about 25.000 dollars for each new employment. Additionally, Illinois offered land that valued 10 million dollars and local tax exemption of 20 million dollars.

We are at “*the hinge of the history*”, Toffler said, “*we are passing one of those exclamation marks of history when the entire structure of human knowledge is shaken once again under the change pressure, along with the collapse of the old barriers.*” [1]

## Interface’s paradigm with local environment

The MBA programs usually show us the interaction between organization and environment as a diagram that has a square in the middle – the company – surrendered by an empty space – environment. The interface between company and environment is crossed by arrows: some of them are “inputs” or resources” (materials, human resources, information, etc.), the other ones are “outputs” – products and residual materials. This simple and well-known diagram transmits many things about paradigm in which it is

thought. The company is placed in the middle, because it is the most important: it captures the manager's attention that is supposed to manage resources and activities, it makes sense to "inputs" and "outputs" flows. The empty space that surrenders the company transmits that the environment is amorphous and has an unlimited capacity to supply resources and absorb the products and residual materials (of course, considering the supply and request law). This is the interface's paradigm with the local environment: so that the company can sell only to a limited market and the rest of the flows do not raise many problems, the rest of environment can be considered as amorphous and unlimited.

### **Global environment**

The globalization blows any barriers that fence the companies' access to the global environment of business. Jack Welch – about the moment when this paradigm first came to his mind: "The company without limits that I have seen would remove all the barriers among the functions: industrial design, production, marketing and the others. It will not distinguish between "the national" and "foreign" operations. That means that when we will do business in Budapest or Seoul we will feel relaxed, as though we would do them in Louisville or Schenectady. A company without limits will demolish the exterior walls, combining the suppliers and clients as part of the same process." [7]

Between the local and global paradigms some notable differences with regard to the environment approach exist:

1. If the environment as a whole is the place where the company is invited to carry on business, there is no reason to be considered as vague and unknown. On the contrary, the more known and understandable the place is, the more chances of advantageous positioning of business increase.

2. The global environment is not unlimited – nor the space, nor the capacity to offer resources and absorb products and residual materials. On the contrary, one of the problems that the human kind faces at the dawn of globalization epoch is precisely the environment limitation. The lack of water at a global level, massive reduction of zones with forest, pollution and reduction of ozone layer, soil erosion, global warming, increase of the prices of food are signs that indicate the limitation.

3. According to what Jack Welch remarked in his declaration above mentioned, a consequence of a well-outlined environment's paradigm is that we ourselves belong to it and we lose our individual outline.

4. If everyone has access to this game at a planetary level, it is normal that the stake to be high and the game to be hectic and with frequent turns. If old-time managers based on the alchemy of environment, could consecrate to internally manage the resources, today's leaders, facing a "turbulent" environment, can not take their eyes from the game without losing it. Therefore their interest is focused on the environment and more focused on that part of the environments that is their company. A Gallup study that comprises 80.000 of managers from all over the world – the largest that has been ever done – states that [4]:

"The most important difference between a big manager and a big leader is related to the perspective. The elite managers are concentrated on the intern part... On the contrary, the elite leaders concentrate on the extern part. They pursue the competition, have perspective plans, look for alternatives."

5. The environment is not only limited, but also well-outlined and it also has an organic, systemic evolution. This means that for its stable functioning, some limits have to be obeyed. These limits are often broken by the players that are willing to play at the global level, having in mind the environment's local paradigm that is amorphous and unlimited. Lester Brown, one of the most influent thinkers of the world in relation to ecological problems, warns us that at the beginning of XXI century, economy will devour the natural

assets. “The requirements of the developing economy, the way it is structured today, exceed the lasting, natural, production of eco-systems.” [5]

Here is the advertising of Philippines government to stimulate the foreign investors: “*In order to incentive a companies that your companies... we grounded mountains, cleared jungle, drained swamps, changed river courses, moved cities...We did all these things to be easier for you and your company to carry out businesses here.*” [6]

### **The new paradigm – casino or global village?**

The solution to get out of the trouble is given Lester Brown, imagining only the change of paradigm: “The transformation of our economy that destroys the environment, into one that sustains that the progress is related to the revolution as the one generated by Copernicus, in our economical mentality – the recognition that the economy is part of the planetary eco-system and it can assure the progress only if it will be restructured, so that it becomes compatible with the ecosystem.” [5]

In other words, the casino paradigm, in which the players come, make a hit and leave, will be of almost no use, because there is no place somebody can leave. “There is no place to run to. There is no hide for anyone. Nor for us, nor for you, nor for Fiat... [2]”, Ridderstrale and Nordstrom said.

So that either we like it or not, the way it results from the financial-economical crisis that we are facing, we all will support the consequences of the game:

“We moved do fast to this new worls, so that we did not recover our senses. We used to take care of our children by offering them the best education and the best medication in the world. But if we do not act rapidly to stop the environment deterioration, to eliminate poverty and stabilize population, then their world will economically crash and politically disintegrate. [5]”

More practical utility seems to offer the global economic state’s paradigm, in which good householder manages its own courtyard, participating to the common wealth of the village as a fundament of prosperity. “In the global village we can not survive by ourselves, Ridderstrale and Nordstrom said. We should find partners at the international level. [2]”

### **An economy of knowledge**

#### ***Intelligence, the central resource of global economy***

If land, labour, raw materials and capital represented the main factors of production within the economy of Second Wave, Toffler said [1], *the knowledge* is now the central resources of the economy of Third Wave. Some time, it was not well-understood, but this idea already became a truism. Nevertheless, its implications are not yet completely understood.

By using the corresponding knowledge, it is possible to reduce all the other means used in order to increase the wealth. Investments in appropriate knowledge can reduce the necessity of labour force, energy, raw materials, equipments, time, space and money in order to produce.

Thus, the most important economical evolution of our times is the progress of “the new system to increase wealth that is not based on muscles, but brain.” Toffler said. [11]. Today, the old technologies of “*factory chimney*” are irremediably blamed as obsolete, the key of the economical development in XXI century being information. In a modern company 70-80% of what people do is based on their intelligence, Ridderstrale and Nordstrom stated in “*Funky Business*” [2] and added: “*the critical mean of production is little, grey and weights about 1,3 kg: it is human brain*”

Moving from one economy based on the factory chimney and the other based on intelligence needs transfers of power and clearly explains the wave of industrial and

financial reform that is faced by the corporatist world, that desperately do their best to adapt to the new imperatives.

Nowadays the capital leaks to firms that are able to ceaselessly adapt and innovate. Nobody buys Apple or IBM's shares based on the stored materials. That is important does not consist in buildings and equipments, but the contracts and marketing power, organizational capacity of the management and ideas from employees' minds. In 1998, more than two thirds of General Electric's income came from the financial and informational services.

The power commutations are impressive, but it does not refer only to corporations' life, Toffler draws our attention. Military officers discover that the troupes do not blindly obey as they used to do. They ask questions and expect answers. Bosses of caps find out the same things about agents, professors about students. This defeat of the old style authority in business and in everyday life is accelerated even at this moment considering the global structures disintegration of power.

"Knowledge is the new battle fields for states, corporations and people", Ridderstrale and Nordstrom said. Therefore "to survive and prosper you should arm yourself with the most efficient lethal weapon: knowledge". [2]

We assist to a fundamental change of paradigm. "We moved from the world of atoms to the one of bits", Nicholas Negroponte, from the mass-media laboratory of MIT, informed us. And Ridderstrale and Nordstrom added: "In our world it is good to follow the immaterial. If you can touch something, maybe it is not valuable." [2]

### **Problems and solutions**

If human intelligence is nowadays the main mean of production, then the problem of organizations is that it can't be capitalized. It can not be even bought. It is, as Charles Handy noticed "adhesive property" [8]: it stays with the owner.

That means that the role of leader is to create an environment in which the intelligence can manifest, meets other intelligence and becomes creative. "The organizer offers the opportunity, not the job – in other words, he offers the creative space", Ridderstrale and Nordstrom said. And we added that this space would be by itself in the future more and more like a cyberspace. "It depends on the leaders from all over the world to take care of a fertile field where each person to be able to develop his own forces", they stated. [8]

"We have 300 tones of brain-power... How can we motivate our people, so that these 300 tones to follow a certain direction?" Goran Lindhal, boss of ABB, asked. It depends on the way you weed the seeds on brain, Ridderstrale and Nordstrom answered" [7]

It results that the new role of management "is not to require, but facilitate – encourage the strategic initiative of others, patiently follow the results and include the best emergent strategies and coherent visions, Henry Mintzberg said. [9]" And Jack Welch told us how he proceeded with GE:

"To motivate the mind of each employee to enter the game represents a huge part of what a general manager has to do. The secret consists in taking the best idea from each of them and transfer to the others. Nothing is more important. I tried to be like a sponge, absorbing and checking each new good idea. As a first step, you should be open to the best things that somebody can offer from everywhere. As a second step, you should transfer what you have just found out to the entire organization. Work-out sustained the unrestricted behaviour and lead to discovering the new idea. I rigorously evaluated everybody from this perspective in order to emphasis his/her importance. Linking all meetings (operative system) from the resources to strategy sustained the accumulation of support behind the new idea and refining them. Crotonville – training centre of General Electric – has

contributed to spread the learning and brought out the best from everybody. Searching for a better way of doing things and voluntarily sharing of the new knowledge today have become a second nature for GE. [7]”

But the more accelerated the process is, the more perishable the information becomes. Bill Joy, chief researchers, Sun Microsystem, estimated that each year almost 20 % of technical knowledge perishes from the commercial point of view. Therefore, organizations are obliged to accelerate [3]”. Intelligence is not sufficient. There is a need for creativity as well.

The unique way to stimulate the development of this new mean of production is the authentic leadership in a new form, at the organizational level. In a new form should not be understood that it has not been known until now – because this type of leadership made the big leaders to be exceptional – it is necessary to reveal and expose this exceptional phenomenon at a large scale.

“What we need now is leadership, Owen, Hodgson and Gazzard. [10] We need to attack the actual state, ask fundamental questions and change the thinking and world understanding ways – make huge leaps to unknown, to a new place. We need leadership from many people, not only few.”

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