LEADERSHIP FOR AN INDUSTRY 4.0 WORLD
By David E. Perry and Ron Wiens

The world is entering its fourth Industrial Revolution, often called Industry 4.0. While Western economies ruled the first three industrial revolutions, the economies that will dominate the 4.0 World have yet to be determined. With the future up for grabs, what will the differentiator be for winning organizations?

Ushered in by the steam engine, the first Industrial Revolution led to the mechanization of work. The second, led by the electrification of factories and machinery, enabled mass production on a grand scale. The third, occurring in the second half of the twentieth century, introduced computers to the workplace and led to the automation of everything from back-office administration to the teller’s window.

The common theme of these revolutions has been a decline in the dependence on human capital. But Industry 4.0 is about to change that.

Knowledge + Connectivity = Industry 4.0

Industry 4.0 is driven by an electronically connected world. In the emerging 4.0 World, people are connected not only to each other, but also to each other’s knowledge. The impact of this connectivity is best summed up by the following observation from Dr. Nick Bontis of McMaster University: “In the 1930s, the cumulative codified (i.e., written down) knowledge base of the world doubled every 30 years; in the 1970s... it doubled every 7 years.” Bontis predicted in 2000 that by 2010, the world’s codified knowledge would double every 11 hours.

Maybe we haven’t reached that fateful 11-hour figure, but we now live and work in a world in which knowledge is growing exponentially. Since knowledge equals opportunity, the opportunities available to organizations are also growing exponentially. And because everyone is connected to this knowledge, everyone is connected to these opportunities. Therefore, competitive advantage today lies in an organization’s ability to exploit this knowledge and spot opportunities before anyone else – companies that can consistently do this faster than their competition will thrive.

An interesting by-product of this knowledge explosion is that the days of the all-knowing, all-seeing manager are over. Knowledge workers today are often more aware of new knowledge than management is. It’s not that managers have gotten dumber, but rather that employees have gotten smarter – or at least better educated.

Organizations are ripe with highly educated knowledge workers. That’s a key difference between now and the first Industrial Revolution, when our current management systems were invented. Here’s a nice bit of alignment: we have an explosion of knowledge, and at the same time that we have growth in the capability of the organization’s employees to understand and make use of this knowledge. The continued prosperity of already successful organizations now depends directly on the ability of their workers to continuously generate new value. Winning organizations have awoken to this fact.

The Power of Leadership

What does ‘waking up’ mean? At its core, it means a fundamental shift in how people are managed and led. The 4.0 World is all about leadership.

The current approach to managing people tends to focus almost exclusively on maximizing the productivity of individuals. This is Leadership 1.0 – steam age leadership, in which the whole is viewed as the sum of its parts. Industry 1.0 leadership can be summed up by the following philosophy: “We all have a job, and if we each do our job we will be successful.”

In an Industry 4.0 World, the view is quite different – the whole can be much more than the sum of its parts. 4.0 leaders still work at maximizing the performance of the individual, but they also focus on maximizing the performance of the team. This means looking at recruiting...
leaders through a new lens. In a 4.0 World, the skills and behaviors needed in a leader have changed considerably.

Building an environment that facilitates the ongoing creation of new value means managing not only the individuals who make up a team, but also the interaction space between these individuals. A lesson learned from the IT industry — which was the forerunner to Industry 4.0 and provides insight to the 4.0 World — is that between any two individuals on a team there is a hidden creative force. When the interaction space between individuals is effectively managed, this force emerges and the creative impact of the team is multiplied. In a 4.0 World, an organization’s ongoing prosperity now directly depends on its leaders’ ability to draw out this creative energy.

Building an organizational culture that facilitates the ongoing creation of new value is not rocket science. But it requires a fundamental change in perspective on the part of the organization’s managers — a change that will challenge current management practices, including how a manager’s performance is measured and evaluated. To be successful in a 4.0 World, organizations will now need to evaluate their managers not only on the basis of what they have delivered, but also by the readiness of their teams to deliver in an unknown future. Contrary to popular belief, winning in the fourth Industrial Revolution is not about speed — it’s about non-stop strategic change that constantly advances the organization toward its stated goals.

What does a 4.0 leader look like? 4.0 leaders not only manage the space in between people while building a high-performance culture. They never rest. They never allow the organization to crest. They know success is not a sprint but a marathon. Change is ongoing in a 4.0 World, which is why the 4.0 Leader is constantly developing and strengthening the organization’s change muscle. The successful organization in a 4.0 World reflects this kind of leader by constantly moving forward — never stopping, never resting.

Building a 4.0 Team

The goal in hiring isn’t to find the best talent looking for work, or at least it shouldn’t be; what it should be is finding the best talent period. Today that means recruiting leaders who are comfortable in a 4.0 world, and therein lies the recruiting challenge. The best leaders — the 4.0 talent — already have good jobs. The key to recruiting successfully in a 4.0 world now means going after talent that isn’t looking for work.

But hiring the best is not about money — it never was. Surprisingly enough, the best will come to an organization not to make more money, but because of what the organization stands for and what it’s trying to achieve. Work is personal to 4.0 talent, which is why you have to first engage their heart. Once you’ve spoken to the heart, the next step is to speak to their head — the best will want to understand the organization’s business goals, its challenges, its assumptions and its blind spots. Once the head is engaged, you next have to address the feet — the best will want to understand the organizational culture that drives the way people interact and how things get done. To do all of this, you need a systematic approach to finding 4.0 talent by engaging their interest and assessing their alignment with your goals.

Two Alternatives

In the ‘Old West’, it was said that there were two kinds of people — the quick and the dead. In the Industry 4.0 world, there are just two types of banks and credit unions — the quick and the dying.

The quick embrace new ways of leading and creating value, while the dying hang on for dear life to what brought them success in the past. Which will you choose to be?

Disclaimer: The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of the Financial Managers Society.

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