

# 4 | *Educating Business Leaders, but for What Kind of World?*

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## Introduction

The mission of most business schools, at least in a generic approach, has been to educate business leaders for the world. However, at the beginning of the third decade of this century, this challenge seems more complex than ever before. Some of the most renowned of these institutions aimed at training leaders of corporations that were flourishing at the end of the nineteenth or the beginning the twentieth century, in a completely different historical context. Two of the most prominent examples are Wharton Business School and Harvard Business School (HBS). The former was founded in 1881, making it the first business school established in the United States; its mission is to *create leaders to change the world* (Wharton, n.d.). The latter was established in 1908, and its mission is to *educate leaders to make a difference in the world* (HBS, n.d.).

Fast-forward one century, and the world is dramatically different, specifically the business world and the education activity. We have never experienced such disruptive and continuous change, mostly due to the digital revolution, which is affecting human life in multiple dimensions: social, cultural, economy, labor, education, and health, among others. The importance of the technological and scientific revolution underway, known as Industry 4.0, is here to stay. Technology will continue to provide society with a drive for change in social dynamics and cultural patterns, with unprecedented speed and global reach.

In such a challenge, adaptation appears to be the natural path to follow. However, because the main purpose of business schools is to educate leaders, and leadership is not about following but anticipating, discovering, and showing the paths to the future, business schools, even those in top positions in the market, are confronted with two crucial challenges: first, the need to reimagine the business world in this

new era; second, the need to reinvent and redesign management education for a time of ongoing accelerated disruption in multiple dimensions.

With most of these challenges in mind, at the business leadership chair that I preside, we conducted the study “Business Leadership 2030 in Latin America.” The purpose of this initiative is to enhance the quality and effectiveness of business leaders to promote more inclusive and sustainable growth and development in that region. The outputs of this study – with over 100 interviews with presidents and CEOs from six countries in the region (Argentina, Brazil, Colombia, Chile, Mexico, and Peru) – provide some insights relevant to understanding the unprecedented challenges (COVID-19 included) and opportunities we are currently experiencing, from a business leader’s view. The central point that is revealed by this study is the multiple consequences emerging from the unparalleled set of ongoing changes – technological, cultural, and social – with strong influences on people and organizations everywhere, both locally and globally.

Some outputs of this study, along with my work on business schools’ value propositions and strategies since 1995, inspired this chapter, with the aim of shedding some light on the unmatched challenges business schools confront – and will continue to face – in educating business leaders for the world.

For half a century, the European Foundation for Management Development (EFMD) has played a central role in shaping the global approach to management education, and it has provided a unique forum for information, research, networking, and debate on innovation and best practices. Let’s celebrate its 50th anniversary by envisioning business education for the next fifty years.

In that sense, let’s start by unveiling the logic behind this radical change while identifying the impact of these transformations to figure out key leadership competencies and how they can be developed in an ever-changing world.

## **The Dawn of the Era of Accelerations**

When Thomas Friedman reflects on today’s world, he cites the creation of the first Apple smartphone in 2007 as a turning point, symbolically speaking. At that time, the author argues, we entered “the era of accelerations,” driven by technology, globalization, and climate

change (Friedman, 2018). That same year, a few new companies were born that would have a profound impact. Together, those companies have changed the way people and machines communicate, create, collaborate, and think.

Twitter was developed on its own platform and started growing on a global scale with its microblogging model; Google launched Android, a platform for mobile devices; Amazon launched Kindle, starting the revolution of the eBook; and Airbnb was created in an apartment in San Francisco.

In the first two decades of this century, the digital and scientific revolution resulted in a radical change of context that affects life and the dynamics of society as a whole. The lengthening of the life span and the coexistence of more generations that have such different world-views also contribute to the new conception of the world.

New dynamics of exchange and development are making their way in this context. These interactive and ecosystemic relationships make it possible to meet people's needs more effectively, if we are able to stop, reflect, think, and create while we keep speeding up our pace of learning. In this context, the task of leading any institution, whether political, social, business, academic, or scientific, and even a family, is being challenged and needs to be revisited.

In a time of disruptive and far-reaching change, an approach to understanding its consequences needs a multilevel perspective: technological, cultural, and sociodynamic. Then, we can find new ways to continue learning at a fast pace in an ever-changing reality.

### **Scope and Impact of the Technological Revolution**

Klaus Schwab, president of the World Economic Forum, referring to the dimension and speed of change, briefly explains that “the unprecedented advances that are taking place at once in artificial intelligence (AI), robotics, internet of things, autonomous vehicles, 3D printing, nanotechnology, biotechnology, materials science, energy gathering, quantum computing and other areas, are redefining industries, erasing traditional borders and creating new opportunities” (Herder-Wynne et al., 2017).

A key aspect of the digital revolution is its condition of an interconnectivity system. One of the effects that runs through all human relationships, work, and life in all its dimensions is that we live “in real

time.” This leads us to network with other sectors – and with a 360-degree view. The new challenge forces us to establish a new approach to reach all the stakeholders. This relationship begins by identifying the actors; analyzing the opportunity to incorporate them as allies; knowing their interests, potential, and relevance; and defining an action plan related to each one of them (Fragueiro, 2020).

## Global Communication, Interconnected Globalization

*Globalization* is a term that has been widely used to describe modern societies, especially since the end of the twentieth century. In the third decade of the twenty-first century, the digital revolution produced a disruptive acceleration of this process.

Web 2.0 directly influences our social, political, and everyday lives and, of course, the business world. There are new articulations among people, in which individuals can express their opinions because communication 2.0 is interactive, horizontal, public, and universal. The level of exposure becomes absolute and public, which means that companies should try to reinforce the quality of their management and reinvent their communication strategy toward multiple partners to build a better reputation. In this regard, businesses should first identify all their stakeholders and then know their interests and expectations in order to keep up (Fragueiro, 2020).

Interconnection helps to enhance shared information, check data in a global way, and develop integrated and adaptable strategies for the possibilities of each specific environment. Processes are constantly accelerating, and everyone can access massive amounts of data at any time. The new dynamics are quickly interwoven and networked; a co-creation system has definitely come to stay.

## The New Ecosystemic Dynamics of Business

Because of the aforementioned effects of communication 2.0, the volume of voices in the market has increased exponentially; therefore, the business world exists in what we can call an *ecosystem*. Nowadays, nothing happens in isolation. This systemic conception has come to stay; it is transversal to all human activities, including business activity. To compete, companies will need to adapt and expand their traditional linear perspective, focused on industries or sectors and with entry

barriers, which requires rethinking and discovering new competitive advantages. We are immersed in a broad global ecosystem that integrates companies with governments, civil society organizations, media, countries, multilateral organizations, various institutions, and men and women connected by social networks.

In a context of constant and accelerated change, it is no longer enough to align and inform; it is necessary to add wills in pursuit of a shared purpose. In this new citizen culture, companies must adapt their approach to a more proactive communication involved with the purpose it manifests in public. The members of a community will validate the work and profitability of a company as long as they understand what contributions that company offers to society.

In the current ecosystemic context and network dynamic, to understand others' interests through dialogue and a collaborative approach becomes a critical success factor.

This new way of understanding the world requires a holistic view and systemic intelligence to visualize the “interconnections and interdependencies” of both internal and external stakeholders. A business ecosystem is made up of diverse actors who co-create, and their contributions produce value when they collaborate with each other. The idea is that each of those parties can benefit from the collective effort.

### **Stakeholder Approach: Systemic Intelligence**

Information and relationships become a key source of competitive advantage and provide a view beyond the traditional and narrow focus on short-term shareholder value. The context of interactive, horizontal, public, and universal information and communication, with an ecosystem perspective, broadens the companies' scope by providing them with new opportunities to create value in their interactions with other stakeholders.

With a systemic vision, it is possible to design and execute a strategy that identifies and defines with whom, when, and how to build a coalition with a common purpose, a clear focus, and well-defined objectives.

In other words, the new challenge and opportunity of entrepreneurial leadership in the context of the Fourth Industrial Revolution is to establish a new strategic perspective of relations with stakeholders. It starts by identifying them; analyzing the opportunity to incorporate

new ones; knowing their interests and ideologies, potential, and relevance; and defining an action plan for each of them, with all these steps being iterative. Today, more than ever, AI makes it possible to know, in real time, what people need and expect. Products and services have quickly become “solutions” to human needs and aspirations.

In short, stakeholder leadership has become a central challenge for business success in the third decade of the twenty-first century, involving stakeholders from both outside and inside the organization. With external key actors, it is based on a long-term and holistic perspective, achieved through systemic intelligence and collaborative capacity. With collaborators, it is achieved through a purpose embedded in the management and leadership style, complemented by incentives in tune with the defined purpose, values, and culture.

### **Business Citizenship: The New Demand from Society**

In today’s ecosystemic dynamics and “all-visible world,” both companies and their leaders are called upon to act as role models. They need to contribute profitably with goods and services while managing in a way that adds value to society in general and its institutions, communities, and the environment in particular. This broader approach of value creation for society is now at the core of business leaders’ role in this century (Fragueiro, 2020).

In this sense, and enhanced by social media, the reputation of the company and its leaders has become an issue of strategic relevance. Businesses and their leaders are exposed to constant scrutiny, given that everything is visible and subject to the judgment of society.

We are faced with a specific demand that arises from the very nature of the company and its activity: as a social reality, it needs the asset of trust with its stakeholders, and they expect it to exercise a citizenship role.

As a new cultural reality, in order to be sustainable in the long term, within the framework of the Fourth Industrial Revolution, the company needs to explain, communicate, and specify in practice not only the value contributed to each stakeholder but also the different types of value that it creates and contributes to each one of them.

An essential contribution that companies make is that to human development, which usually applies to team members and their families, customers, communities, and citizens in general. In short,

companies are the creators and promoters of culture and values. The real culture is shown in the face of difficult decisions, especially in times of crisis.

### **In the Digital Age, Adaptation Is Key**

If you had asked a farmer a hundred years ago what skills his kids would need to thrive, he would not have hesitated to answer that they would need to know how to milk a cow or plant a field – general skills for a single profession that changed slowly. This is how it was for almost everyone throughout human history. In just a few decades, we have witnessed more changes than in the last 300 years.

While many jobs have disappeared, others have been created. Machines have automated much of manufacturing, for example, and they will inevitably automate even more soon. We are currently in the midst of a massive shift. Skills that have traditionally been in demand are now declining. The World Economic Forum's *The Future of Jobs Report 2018* listed things like manual dexterity, management of financial and material resources, and quality control and safety awareness as declining abilities (World Economic Forum, 2018).

Although technology is the engine of transformation, companies and their workers hold the key to change. We need to adapt the talent, develop continuously, and keep pace with technological evolution. Talent will be the clear differentiator in a highly competitive business environment and in an increasingly digital world. People are at the center of the revolution. The challenge of being competitive in the digital age will not be solved by consuming more and more technology or by replacing humans with technology.

Furthermore, humans possess key differential factors that machines do not, a set of skills known as the *four C's*: communication, creativity, critical thinking, and collaboration. These are central to working in teams and are a reflection of the “hyperconnected” world we live in today.

In addition to the four C's, successful entrepreneurs across the globe are demonstrating three additional soft skills that can be integrated into the classroom: adaptability, resiliency and grit, and a mindset of continuous learning. These skills can equip business leaders to be problem solvers, inventive thinkers, and adaptive to the fast-paced change they are bound to encounter. In a world of uncertainty, the only constant is the need for agile adaptation.

## **The Future of Work: Human and Machine Collaboration**

*Work* can be defined, quite simply, as human skills applied to problems, although it is a concept that has been shifting shape over time. We humans create value by applying our skills to solve problems in the world. There is always a need for problems to be solved and a demand for human skills to satisfy that need. There were plenty of problems to solve in the world before coronavirus, and now we have even more. It is undeniable that the pace of automation has accelerated as a consequence of the pandemic, but companies were already automating processes long before.

Productivity is the main reason companies want to automate workforces. Yet repeatedly, the largest increases in productivity do not result from replacing humans with machines but, rather, from augmenting machines with humans. It all comes down to collaboration. Many car manufacturers, for instance, experienced an increase in productivity when they replaced their traditional – and already automated – assembly-line process with human–robot teams.

It is also worth mentioning that every time a technology goes exponential, a whole set of new opportunities opens up. Taking advantage of these opportunities requires adaptation, which demands workforce retraining, yet the result is a net gain in jobs, not otherwise.

Finally, as AI becomes our user-friendly interface with technology, we will begin to see a major change in the talents required for retraining. For a wide range of jobs, technological fluency and agility will definitely replace mastery in hard skills.

## **Stakeholder Leadership: The Big Reset**

The third decade of the twenty-first century presents a context of constant disruptive change, accelerated by the COVID-19 pandemic. This demands that the leaders of all sectors be able to anticipate and understand the profound transformations that are taking place in the cultural, labor, and educational realms and in all other areas of society. The novelty of the twenty-first century is that the old barriers and defenses tend to disappear, and the creation of value is enhanced by network interaction.

This situation requires leadership with aspiration and permanent transformational capacity. New leaders need to be inspired by a future



open to changes that are hard to foresee. At the same time, though, they should be in tune with global trends driven by the digital technological revolution and by its derivatives, such as AI, machine learning, and robotics, as well as data-driven intelligence, in order to discover new trends, human needs, and aspirations, thus creating products and services faster to deliver solutions.

Social dynamics, traversed by technology in everyday life, is adopting new logic: innumerable opinion groups defend humanitarian, social and environmental, and natural resource preservation causes, and all of them are empowered by interactive, public, and universal communication of the networks. This social interaction is in its infancy and already marks a new cultural era that demands more and more transparency and coherence from institutions and their leaders.

The twenty-first century, on the other hand, levels us horizontally: authority no longer appears on thrones or podiums; today, it is acquired by proximity, coherence, and personal example, as well as from the essential knowledge to exercise its function. Leadership in this century is exercised and legitimized in interactions with citizens, team members, colleagues, and opponents or competitors, according to their role in society.

The new leadership paradigm is based on systemic intelligence. Peter Hawkins (2017) suggests the following transitions in order to lead companies by 2030:

1. Moving from *leading my people* to “*orchestrating business ecosystems*”
2. Moving from *heroic leadership* to “*collective and collaborative leadership*”
3. Moving toward leadership driven by a shared purpose and values that create value for all stakeholders

The context of the digital revolution includes the leadership of remote teams, networks, and alliances. Outer leadership must change from an approach based on command and control, centralization, vertical decisions, and authority based on hierarchies, all driven and validated from the top, toward a leadership that promotes collaboration, shared or distributed leadership, autonomy and self-organization, empowerment, decision making at the local level, local interaction, trust, and transparency. In short, emerging leadership thinking includes collaborative, authentic, servant, and cross-silo leadership.

## The Major Leadership Challenge: Integrating Transformation with Collaboration

The personal qualities common to these types of leadership are usually presented as two complementary and even opposed leadership styles: the transformational and the situational and collaborative. However, the context of continuous and disruptive change, combined with the instantaneous and interactive reaction, places leadership in a dilemma. On the one hand, it must have a transformational vision and conviction, capable of projecting, mobilizing, and even anticipating new realities and, thus, inspiring and guiding toward a future of disruption and uncertainty. However, in this era of constant transformation and universally active communication and interaction, it must also possess competencies of situational and collaborative leadership, together with systemic and emotional intelligence, to provide closeness and the perception of individual sentiments and desires to orchestrate a new leading style with different stakeholders, people, teams, and even other institutions.

Let's review some key competencies of these two leadership styles to better understand the challenge ahead. The competencies that follow have been selected from *Leadership – Theory and Practice* (Northouse, 2019), which includes insights from authors like Bass and Avolio, and “Leading Ever-Changing Companies” (Fragueiro, 2020).

### Competencies for Transformational Leadership

1. Long-term vision and holistic thinking: systemic intelligence, contextual vision, and full knowledge of trends and their complexities. Identify and distinguish causes and effects.
2. Intellectual stimulation: motivation of creativity and independent thinking of collaborators, allowing taking risks and challenging premises.
3. Ability to inspire and motivate attractive, hopeful, and inspiring communication of a vision, instilling a deep sense of purpose that helps to overcome attitudes of personal interest.
4. Idealistic influence and authenticity: personal integrity and living example of the proposed change. Good guide for collaborators, reliability, credibility, intelligence, coherence of deeds and words. Ability and attitude to rectify.

5. Vision of rupture: conception that the very mission of the role includes radical changes.
6. Desire to excel and willingness to transcend self-interest: ability to create a new development model through a multidimensional change (cultural, relationship with stakeholders, etc.) that seeks to contribute to the common good of society or a group.
7. Strategic vision: clear notion of the context, timing, and stages of the processes and of the various interests of internal and external stakeholders. (Fragueiro, 2020; Northouse, 2019)

### **Competencies for Situational and Collaborative Leadership**

1. Inclusion: creation of value from incorporating the contribution and participation of the greatest number of stakeholders possible.
2. Close communication: clarity, generation of dialogue, consensus building, and ability to negotiate with whoever is necessary at all times.
3. Orientation toward a common purpose: shared, dynamic, and adaptable value proposition. The purpose mobilizes all actors in the ecosystem, energizing all sectors (public, private, and third sector) to achieve shared and mutually beneficial goals.
4. Search for dialogue and collaborative capacity: encouragement for frank conversation and collaboration. Construction of a culture and environment of freedom that facilitates the raising of doubts and allows suggesting and questioning honestly. Generation of agreement when pertinent.
5. Adaptation: ability to distinguish between purely technical and adaptive problems, linked to abilities, knowledge, tastes, beliefs, and personal values of a permanent nature.
6. Diversity and pluralism: there are leaders of all races, religions, genders, generations, and philosophies. A fruitful dialogue between them from different sectors can only be achieved if all of this diversity of leadership is known and accepted. (Fragueiro, 2020; Northouse, 2019)

The combination of two leadership styles as diverse as transformational and collaborative presents a great challenge: they do not usually occur naturally in the same person. However, in the face of such

obvious signs from the context, we think that it is possible to achieve such a combination if leaders have a full understanding of the phenomenon, determination, and systemic intelligence. To achieve this, it is necessary to incorporate two key competencies into situational leadership, whose potential contribution is essential to highlight.

On the one hand, it is necessary for the leader to have “systemic intelligence”: the leader needs to be able to appreciate the interconnections and interdependencies of the system as a whole and at all its levels, understanding “cause–effect” relationships or how changes in certain parts affect the whole.

Second, the new dynamics of relationship and network activity typical of a world of value-creation ecosystems require situational leadership “collaborative and transversal capacity,” avoiding silos.

### **The Future of Business Schools: Understanding the New World**

As we have seen, the fast pace of change has far-reaching implications. Business schools have to take advantage of the digital revolution to fulfill their mission: educate business leaders who understand the nature, relevance, and consequences of this revolution and, most important, its human impact. Leaders must have a new capacity to explore, reflect, and anticipate human needs and aspirations, based on data-driven and automated processes, to ignite human creativity and empathy. In this sense, it is crucial to understand the biggest shifts that are taking place in the leadership world:

1. From content-driven knowledge and skills to dynamic and ongoing learning with an open mindset
2. From a top-driven individual leadership approach to a horizontal team-building approach, which orchestrates competencies and the proper mindset
3. From vertical, silo-driven management dynamics to a data-driven, systemic, and collaborative intelligence
4. From an exclusive, short-term, and narrow focus of business success to an inclusive, medium- and long-term sustainable future
5. From a static, vertical, compartmental organizational structure with a short-term incentive system to an ecosystemic, diverse, flexible, and cooperative network of team projects.

## Business Education in the New Era: Two Paths for Moving Forward

Over time, and particularly in the last decades, most top business schools have focused their core management education on providing value at three levels:

1. Knowledge (“*knowing*”)
2. Skills (“*doing*”)
3. Values (“*being*”)

Most programs are designed with that simple and effective framework, which still remains valuable but requires some reshaping, according to this new era of constant transformation.

Regarding *knowledge*, particularly related to digital technology, it deserves special attention, as was asserted before, to focus on the *logic behind* digitalization and the *tools* it provides, such as big data, AI, machine learning, robotics, the internet of things, autonomous vehicles, three-dimensional (3D) printing, nanotechnology, biotechnology, materials science, energy gathering, and quantum computing, among others.

Concerning *skills and competencies*, on the one hand, those related to human interaction with digital tools are key. Even more in the new era, new core competencies and skills are required, and it is of particular relevance to identify and focus on those that differentiate humans from machines; repetitive and systematic technology-related tasks, analytics, and automation, to mention a few, will not be core human activities at work anymore. On the contrary, human talents related to open reasoning, creativity, empathy, and collaboration, among others, will be core competencies to enhance human impact, leveraging the technological and scientific revolution.

As for *values*, the “being” of leaders’ education becomes the compass for a deep understanding of people’s dignity and for inclusive, sustainable development. In an era of acceleration and disruptive change, values serve to set a clear roadmap for human well-being and development.

In the words of one of the world’s top business leaders in the industry of technology, Satya Nadella, CEO of Microsoft (2014–present), one of the most critical challenges is that “we want to build intelligence (AI) that augments human abilities and experiences. Rather than

thinking in terms of human vs. machine, we want to focus on how human gifts such as creativity, empathy, emotion, judgement, . . . can be mixed with powerful AI computation – ability to reason over large amounts of data and do pattern recognition more quickly – to help move society forward” (Nadella et al., 2017, p. 201).

A first and central path to move forward with business schools’ value contribution, in an era of ongoing transformation, must focus on rethinking and delivering a new proposal of education to facilitate “lifelong learning” for business leaders in terms of knowledge, skills, and values. Because *learning* and *unlearning* have become two of the most critical competencies, to develop this ability and willingness will require a new mindset in the three stakeholders: business leaders, companies, and business schools. This new key competency could work in a dynamic interaction of co-creation among those three.

A second path – and critical challenge for business schools in this era – lies in an open mind regarding rethinking the approach to designing and deploying management education. As for many other industries, rethinking and redesigning the traditional education portfolio, in particular, long programs such as MBAs and executive MBAs, should be the next challenge. The need and will to prioritize an earlier entrepreneurial working experience, either in large or medium-sized corporations or even in a start-up, is a clear trend in young professionals.

In summary, as constant transformation and ongoing education throughout life become the new normal, continuing and close interaction with executives, individuals, and companies over time becomes a key central process in transforming business schools’ model.

In conclusion, more than ever in history, perhaps, education has become central in respecting human dignity. As the world’s dynamics change the way people learn and work, a new approach to education is the path to follow, and so for business schools, in educating leaders for a new world.

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