

Leadership for an Industry 4.0 World

For organizations to prosper in a 4.0 World their leaders must learn how to release their people's creative energy.

By Ron Wiens & David Perry

We are living in a time in which the shelf life of knowledge is approaching that of a banana.

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 a 4.0 World are unknown. The future is up for grabs. The question is, what will the differentiator be for winning organizations?

The first Industrial Revolution, ushered in by the steam engine, 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 revolution, which occurred in the second half of the twentieth century, introduced computers to the workplace and led to the automation of both back-office administration and the factory floor.

The common theme of these revolutions was the reduction of the organization's dependence on its human capital. Industry 4.0 is about to change that.

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 can best be summed up by the following observation made by Dr. Nick Bontis from McMaster University: "In the 1930s, the cumulative codified (i.e., written down) knowledge base of the world doubled every 30 years.... In the 1970s, the cumulative codified knowledge base of the world doubled every 7 years." Bontis predicted in 2000 that by 2010 the world's codified knowledge would double every 11 hours.

We may not have reached that 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. 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 opportunities than those managing them. Managers have not gotten dumber, rather employees have gotten smarter – or at least better educated.

Organizations are now filled to the brim with highly educated knowledge workers. That's a key difference between now and the first Industrial Revolution, when 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.

What does 'waking up' mean? At its core, it means a fundamental change 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. Steam age leaders view the whole 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. 4.0 leaders know that 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.

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.

1.0 leaders focus on building high-performance individuals.

4.0 leaders focus on building high-performance cultures.

*Success in a 4.0 World
means making
 $1 + 1 > 2$*

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 an unknown future.

Currently, 4.0 leaders are a scarce commodity. But the good news is that if you're looking for 4.0 leaders, many of your competitors probably aren't. If the past 250 years of organizational history has taught us anything, it is that organizations will hang on to what brought them success in the past. But past success has often proved to be an albatross around the neck of future success.

As Alvin Toffler so aptly said, "The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn".

About the Authors



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