Chapter 15
Leadership Talent Development in the New Economy

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ABSTRACT

In this chapter, the authors analyze how it is possible to achieve the best results in the task of developing leaders. For this purpose, they first present as a starting point a framework based on strategic principles for managerial development which have to be assumed before taking action and, after which, they propose the operational means which allow to go beyond what has so far constituted the content of the organizational practices in this field. Intentions are as follows: reducing the level of complexity perceived about the concept itself and about its tools; including the most relevant managerial development contents; presenting an orderly, consistent process which can guide future interventions in this field. At present, and even though the authors think that the contribution made in this chapter will help introduce significant improvements in managerial development practices, there are still quite a few pending issues that will gradually have to be solved in order to make progress.

INTRODUCTION

Acting faster and faster, depending on shared knowledge and competing in complex, global and diverse scenarios are some of the critical requirements of the new economy environment where leaders will have to get by. In this complex and demanding scenario, those who occupy the posts involving a greater deal of responsibility inside the organizations will have to gradually assume new functions that permit those organizations’ continuity and growth. Managerial development, integrated in the human resources function, is the tool that can contribute to prepare leaders so that they can acquire or develop the competencies required to meet the demands of these new roles.

The deep changes occurred in the economy on a global scale have followed a process of economic waves (Alvin Toffler, 1980, 1998). History can be divided into periods (waves), the
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first of which started in the Neolithic Age 8,000 years ago (agricultural wave). The second one broke out halfway through the 17th Century: the industrial wave. The third one, the technological wave, which began in 1950 with the first computers, lasted until the 1990s, when the emergence of the Internet generated the fourth wave, the Information and Communication Technologies Wave, which is the one we are in at the moment, and the one where the new economy is located.

The “New Economy” is essentially supported on knowledge, due to the new breakthroughs in technology and to the economic globalization (Friedman, 2005). Three fundamental, highly-interrelated aspects characterize it: (1) Information and knowledge as the bases of organizations’ production, productivity and competitiveness; (2) Globalization (the economy is interrelated and it is organized on a worldwide scale); and (3) the importance of the Net —through the Information and Communication Technologies (ICT)— in the organization, communication and commercial transaction system.

The elements in this new scenario are creating challenges and opportunities which will not only require new ways to establish relationships inside markets, new ways to communicate and new working patterns, but will also make many of the traditional jobs become obsolete; and they will equally demand competencies oriented to meet as quickly as possible the quality requirements of customers seeking the highest possible alignment with the organizational strategy. The new world of work is global, rapidly changing and customer-oriented; it expects quality and is intolerant with delays and excuses (McLagan, 2008). This situation is redefining the foundational concepts of time (speed: instantaneous), space (global connectivity), structure (networks), matter (dematerialization), and competition (increasing economic returns) on which the economy operates.

All these changes which shape this neo-economic environment are giving rise to trends that will have deep implications for the leaders of all organizations (Jaworski & Scharmer, 2000): vast globalization, the primacy of networking and connectivity, the steady de-materialization of products into knowledge, speed as the prime source of competitive advantage, and the widening dominance of winners, takes most modes of competition. The different executives and leaders in a company play a key role in its success. Research has proved that leadership affects organizational performance and accounts for more variance in performance than other organizational variables (Burke & Litwin, 1992). Its impact has become even stronger in present-day enterprises. The increased competitiveness has forced organizations to adapt, reducing costs and removing managerial layers. For those managers who stay, the objectives are to improve product quality, to reduce costs and to head increasingly numerous groups 2002). As a consequence, leaders and managers have to adapt to a whole host of new ground rules for business (Jaworski & Scharmer, 2000).

If we do not have agile and efficient mechanisms to develop the abilities of the leaders who demand this environment, the organizations will not be able to compete advantageously. The human resources function, which must lead the satisfaction of these demands, has to anticipate events and—in the light of the new strategic prospects—develop well-built practices and tools which permit the implementation of the best solutions inside the organization. The development area, and particularly the leadership development area, becomes especially relevant within this function, as it must be able to identify the criteria which define high managerial performance and to provide the best tools for the learning of its critical competencies.

Therefore, the development of managers so that they can perform new roles is more important than ever and, in our opinion, it has to be structured around the following five broad axes:

1. **Detecting the future; too much of the present.** Strategic thinking is what differentiates leadership in the best firms (HAY GROUP,
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