

LeaderPerfect Newsletter

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The Leadership Challenge in a Knowledge-Based Economy

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You've not seen a newsletter from me for several weeks because I've been absorbed with opening and staffing new offices in Kigali.

Now that our work there is well underway, I'm resuming the newsletter. And for my first issue, I want to share a perspective on leadership that my experience in Rwanda has crystallized.

A Leap-Frog Strategy

Rwanda is attempting an intriguing transition, perhaps the most challenging in the history of any developing nation, especially when you consider the country's circumstances just 15 years ago.

Rwanda's genocide and the ensuing civil war in the 1990s left this small, landlocked country with no economic infrastructure. By the time the rebels captured the capital, the fleeing regime had looted all of the banks and only two businesses were still functional enough to pay taxes. In addition, upwards of a million people were dead, including about 90% of the Tutsi tribe.

Popular wisdom would have urged the country to revitalize its agriculture and start investing immediately in industrial development. But the country's Vision 2020, now ten years into implementation, took another tack.

Vision 2020 calls for Rwanda to leap-frog over the industrial stage of development and move directly from an agrarian economy to a knowledge economy. Fiber optic now extends to the remotest rural regions to serve as the backbone for this dream.

To succeed in such an unprecedented move, leadership at every level is vital. And the magnitude of the leadership development task is what drew me to Rwanda.

Surging Interest in Leadership

While teaching my first seminars last month, I repeated an observation that I've made often in the U.S. To be specific, when I first started teaching leadership 40 years ago, there were relatively few books on the subject. The business press was devoted almost exclusively to titles on sales and management.

Then, in the 1980s, the number of books on leadership started to mount. Today new titles on leadership annually outdistance new titles on management by a considerable margin.

I've always been curious as to why this interest in leadership started building with such tenacity in the 1980s. As I prepared my seminars for Rwanda, the answer to my question became suddenly clear.

The 1980s marked our first foray into building a knowledge economy. And knowledge economies demand an emphasis on leadership that is less urgent in an agrarian and industrial era.

Our Most Valuable Asset

What triggers the new-found urgency of leadership in a knowledge-based economy is a change in a company's fundamental assets.

Historically we have measured the strength of a company in terms of physical assets to which we can assign quantifiable values. The organization's balance sheet begins by listing these assets in the form of facilities, equipment, inventory, accounts receivable, and working capital.

Then, in the late 1900s, business theorists began to argue that this method of evaluating a company's strength had become seriously outmoded and incomplete.

With the emergence of a knowledge economy, they noted, companies no longer build primarily around facilities, equipment, and inventory. Instead, their most valuable asset becomes the skill and expertise of their people.

Because we have no mechanism for quantifying the value of skills and expertise, people appear nowhere on an organization's financial statement as an asset. Indeed, to the degree that they appear in financial statements at all, they are treated as an expense item on the profit and loss statement, as though they constitute a liability, not an asset.

But when people are your most valuable asset, leadership assumes prime importance. That's because leadership, far more than management, is people-centric.

In a new book on leadership, currently in press, I draw this distinction by noting that we speak of both managing people and leading people. We also speak of managing budgets, inventories, and perceptions. But we would never speak of leading budgets. Or leading an inventory. Or leading a perception. Leadership is uniquely a "people process."

Leadership — Always People-Focused

This is not to say that there is no place for management in a knowledge economy. If anything, the management function is even more demanding in knowledge economies than in any of its predecessors. Alongside management, however, there must be unprecedented emphasis on leadership.

Leadership, as I commonly define it, is rallying people around a shared purpose, then motivating them and mobilizing them to achieve it. A variety of management functions undergird each element of this leadership definition. But while management may or may not be people-focused, leadership always is.

Thus, as the knowledge economy grows, the importance of attracting and retaining talented workers will only accelerate. And in this business climate, where people are the most vital asset, the interest in leadership is unlikely to wane. Good leadership development specialists have a secure future.

Rwanda's challenge is not whether they can lay fiber optic fast enough to become a knowledge economy by 2020. The challenge is whether she can develop leadership adequate to the task. But in a sense, that's the very challenge we all face in a global information-based economy.

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