



21st-CENTURY LEADERSHIP:

Redefining Management Education

Companies need new techniques to train their professionals for the challenges of the 21st century. It takes more than schoolwork.

by Mark David Nevins and Stephen A. Stumpf



WITH THE END of the millennium upon us, many writers have put time and ink into considerations of how things will be different in the next century. This sort of fin-de-siècle prophesying is nothing new: Human beings seem ever mesmerized — no less today than were the medievals 1,000 years ago — by the symbolism of the end of a millennium. The common feeling now seems to be that resetting the calendar with so many zeros will mark a period of discontinuity with the past (even though — as

purists like to note — the 21st century actually begins on Jan. 1, 2001).

Assuming that our information and technology systems survive the dreaded “Y2K” computer problem, the most accurate answer for most next-century questions may actually be a rather anticlimactic one: In the 21st century, things will be very much like today, only more so.

What does this mean for the field of management development? Organizational leaders have been struggling with the same challenges in var-

ious forms for the last 10 or 20 years and have yet to find generalizable solutions. Barring radical changes in human nature, the next few generations of managers will probably be found working through the same issues that they and their predecessors have been struggling with for much of their careers — only more so.

THE TECHNOLOGICAL REVOLUTION

Managers began coming to grips with 21st-century issues when they



Mark David Nevins is the director of training and development for Booz-Allen & Hamilton's worldwide commercial consulting business. He has global responsibility for formal and informal training and development programs for all of the firm's professional staff. Before joining Booz-Allen, Dr. Nevins taught at Harvard University. He received his A.B. from the College of the Holy Cross and his A.M. and Ph.D. from Harvard. **Stephen A. Stumpf**, author of several books and articles on strategic leadership, is dean of professional development at Booz-Allen & Hamilton. Before joining Booz-Allen, Dr. Stumpf was dean of the business school at the University of Tampa. He earned his B.S. in chemical engineering from Rensselaer Polytechnic Institute, his M.B.A. from the University of Rochester and his Ph.D. from New York University.

realized that most professionals had computers on their desks and telephones in their pockets and that both of these systems use networks to connect people who are often significantly removed from each other in time, space, thought and emotion. According to Price Pritchett in “New Work Habits for a Radically Changing World”

la technologie.

THE IMPLICATIONS OF INFORMATION

The biggest challenges for business leaders of the next century are going to revolve around coming to understand fully how global business practices have evolved — based on ad-

others in the ever-changing world.

The differences between 1990 and 2000 will probably be less extreme than the differences between 2000 and 2010, as we experience a world that is demanding not only a rethinking of management competencies, but a fundamental redefinition of the social contract between employ-

The truly successful managers and leaders of the next century will... be characterized not by how they can access information, but by how they can access the most relevant information and differentiate it from the exponentially multiplying masses of non-relevant information.

(Pritchett & Associates, 1998), since 1983 the work force in the United States added more than 25 million computers, and the number of cellular telephone subscribers jumped from zero in 1983 to 16 million by the end of 1993. In 1993, more than 19 million people carried pagers, and close to 12 billion messages were left in voice mailboxes.

Separation once meant geographical and temporal discontinuity. It is a truism that our lives as managers and professionals (including how we communicate, how we work together and even how we think and feel) differ significantly now from our lives before the ubiquity of personal computers, cell phones and network connectivity essentially reformed our communities. Marshall McLuhan was astoundingly prescient with his ideas about a future global village, and historians of management will certainly look back one day with some amusement at a business era avant

vances in the use of technology as well as the ability to connect with others and to be contacted by others, almost anywhere and anytime.

Consider that there has been more information produced in the last 30 years than during the previous 5,000 and that the information supply available to us doubles every 5 years, according to Mr. Pritchett. The truly successful managers and leaders of the next century will be determined not by what they know but by how fast they can learn. They will be characterized not by how they can access information, but by how they can access the most relevant information and differentiate it from the exponentially multiplying masses of non-relevant information. They will excel not by possessing traditional skills and tools, but by demonstrating a high degree of flexibility and adaptability in dealing with both technology and people and by being able to stay constantly meaningfully connected to

er and employee, between colleague and colleague, between worker and work itself.

KEY LEADERSHIP CHALLENGES

Major leadership challenges for the 21st century can be grouped into three categories: market forces, people issues and leadership competencies.

Market forces

Market forces will continue to drive change in organizations at a macro-economic level, and these forces will demand more from our organizations and our leaders. For these purposes, market forces can be viewed as the cumulative effects of the behaviors and wants of those in the market either demanding or supplying a good or service. These forces include increasing globalization as well as (if recent trends are an indication) the creation of increasingly massive multinational organizations through

mergers and takeovers. Coming hand in hand with increases in scale and a global footprint are a greater diversity in the work force and deeper requirements for specific technical expertise.

Larger organizations in most industries gain economies of scale as they distribute overhead expenses across more units of production. This leads to greater profits and stock valuation. Being global, or more precisely, offering products or services in a variety of countries and cultures, increases the size of the market to be served. Technology advances have greatly reduced the costs of reaching these different geographically dispersed markets. However, the market forces to increase size and go global do not necessarily lead to organizational survival. Of the 100 largest United States companies at the beginning of the 20th century, only 16 are identifiable today. Considering more recent history, of the companies in the Fortune 500 in 1970, fully one-third had ceased to exist by the early 1980's. And during the 1980's a total of 230 companies — 46 percent — disappeared from the Fortune 500. Obviously, neither size nor reputation guarantees continued success or survival.

In contrast to demand-based market forces, the supply of human capital is undergoing a pervasive and powerful shift. The supply of labor is more diverse, and individual workers

must possess a greater degree of technical expertise to be successful. At an absolute minimum, companies must be able to accommodate diversity; the most successful companies will



leverage their diversity to create new ideas and better match these differences to work demands. At the same time that organizations struggle with increasing deregulation (open and free markets), they will have to contend with an older work force that will find it difficult to stay abreast of change. Reinvent oneself or perish will continue to be the clarion call. Yet successful businesses will be those that do not forsake their own strong histories and foundations and do not undervalue their past learning and the ability to think metaphorically — because in these postmodern times what is old can rapidly become what is new, even at the same time as what is new today is nothing like

what was new yesterday.

People issues

In the minds of many managers, people issues involve relationships with the staff of an organization. These issues are traditionally housed under human resources away from the core business and are seen as nice to attend to, but not critical. With the advent of the 21st century, these people issues are increasingly establishing themselves at center stage. Less than half of the work force in the industrial world will be holding conventional full-time jobs in organizations by the beginning of the 21st century: Every year more and more people will be self-employed, temporary or part-time. The United States' contingent work

force — consisting of more than 45 million temporaries, self-employed, part-timers and consultants — has grown 57 percent in 15 years.

What may not be apparent to tomorrow's managers is that tomorrow's staff will have very different expectations of, and demands on, their organizations; importantly, the employee-employer relationship in the best organizations of tomorrow will look very different than it did in the 20th century. With their increased complexity and globalization, organizations are demanding skills and abilities from their leaders that are only beginning to be understood, never mind mastered. One of the most important of these will be the ability to

balance employee needs (globally) and customer wants (globally and locally) — a balance that will become harder to strike, and to strike profitably and efficiently, in the coming years.

Diversity will become a strategic differentiator and not merely a desired demographic profile. The managers of tomorrow are growing up in a world where diversity is a productive, exciting and enjoyable reality, not a target achieved by setting quotas; today's most promising youth have known nothing but the post-modern world, wherein many of the traditional taxonomies, structures and borders (including those of race, ethnicity and other age-old social dividers) have not only been called in question, they have been subverted or simply ignored.

As the work force continues to grow more diverse, those able to accept individual differences in the workplace and to look at them as a source of creative energy and productivity will have access to a larger and more talented work force. Typical of postmodernity's general questioning of the idea of objectivity, there will increasingly be many right ways of doing most things — not just one right way as articulated in the employee policy book or previous norms of behavior. The work itself will increasingly demand the use of interdependent teams, as few individuals will be capable of knowing and doing it all. All of this may sound like chaos — and it will be. However, it will be an organized chaos wherein lies great opportunity and potential for those

managers adept, flexible and intelligent enough to seize it and make it their own — rather than being owned by it.

There are market aspects to this people question as well — specifically in terms of continuing to attract and retain the best people. In 1991, nearly one out of three American workers had been with his or her employer for

less than a year, and almost two-thirds for less than five years, according to Mr. Pritchett. Constant training, re-training, job changing and career changes will become the norm in the 21st century. The concepts of the 30-year career and the gold watch upon retirement will be completely anachronistic.

In a quickly changing world, talented human capital will be a prime ingredient of business success. Businesses will have to accommodate the shift of power from owners and senior management to knowledge workers, while at the same time professionals will become less concerned with the traditional concept of a career and more interested in what we might term self-fulfillment. (While self-fulfillment has been a fundamental concept in philosophy at least since the time of Aristotle, it was not a concept typically introduced into the workplace before the late 20th century.) Organizations will invest increasing percentages of their revenues in attracting,

developing and retaining competent professionals, and this arena will grow to be perhaps the most significant competitive battleground. The social contracts that organizations make with their people will be as important as the value propositions they convey to the marketplace and their customers — and the truly superb organizations will have a seamless union

In a quickly changing world, talented human capital will
be a prime ingredient of business success.

of external and internal value propositions.

Leadership competencies

A new critical portfolio of leadership competencies — the need for many of which we have seen coming for some time and for which we ought to be better-prepared — will make the situation more complex. Strategic focus and vision, coupled with a practical sense of when to be flexible and adaptable, will be most critical for survival. An ability to manage multiple points of view simultaneously will differentiate the best managers: to keep the high-level goals in sight while managing and tracking day-to-day success; to understand equally the points of view and needs of the customer and of the organization; to be able to empathize with all stakeholders in order to develop people, foster productive change and keep the spirit of the enterprise vital.

The evolving nature of business conducted by global organizations

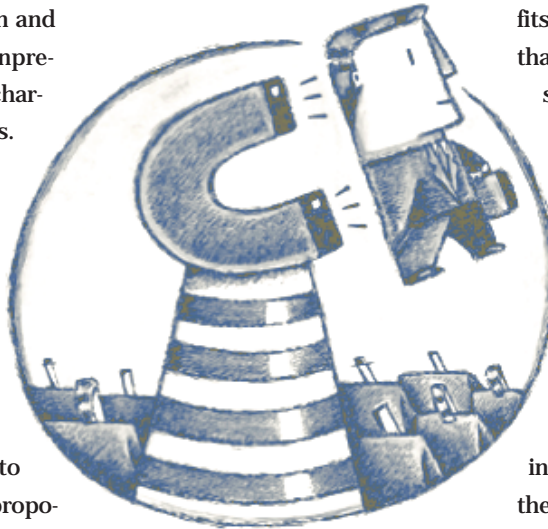
will also call for a fundamentally different kind of leader. Gone are the days of top-down, hard-nosed direction. Demonstrating flexibility and empathy, while remaining true to the core values of the organization and finding ways to circumvent unpredictable impediments, will be characteristic of tomorrow's leaders.

These will be people who are inspirational; technologically savvy but not prone to getting lost in details; entrepreneurial; devoted to service, and inclusive rather than independent or autocratic. Additional key leadership competencies will include: the ability to develop and articulate a value proposition — maintaining it in a dynamic market and energizing others to buy into it; investing in a business model that guides employee decision-making at all levels; committing to a culture that values mentorship and learning while aligning individual and corporate goals, and recognizing what it means to develop and manage truly transformational knowledge systems. The common characteristics of these new leaders are all related to issues that are more focused on the intangible aspects of an organization. Over time, those would-be leaders who are unwilling or unable to demonstrate these leadership behaviors will find themselves with few followers.

INSIGHTS INTO NEW MANAGEMENT EDUCATION

In light of these 21st-century leadership challenges, how can organiza-

tions best approach the challenge of developing true leaders? Answering this question means considering traditional models and methods for man-



agement education, examining how these are evolving and highlighting new approaches. As suggested earlier, the best answer needs to be expressed in terms of the wants and needs of both the employee and the organization and the ways the evolving nature of that relationship will be integral to the success of the enterprise. The key issues, as we see them, relate to the themes of leadership, relationship-building and collaboration — because it is through attaining mastery in these areas that organizations and their leaders in the next century will survive and flourish.

We should note that our consideration of the issues of management education and development is based primarily on the situation in professional services firms. Our experiences have been most intensely in professional services (such as management

consulting, accounting, taxes, audit, law, executive search, advertising and public relations). And the professional-services environment is an excellent laboratory for considering the benefits of management education, given that the business of these firms is essentially management itself. Client service through focused, developmental assignments is, in effect, the *raison d'être* of many professional services firms. Additionally, professional services firms provide a powerful window into understanding the challenges of developing future leaders, considering the not-insignificant challenge of managing these kinds of firms.

ALTERNATIVE TEACHING AND LEARNING METHODS

To address the leadership challenges of the next era of global business, traditional degree-granting programs and professional schools as well as traditional methods (for example, books, lectures, discussions, case studies) will continue to be necessary, but increasingly not sufficient. To develop professionals for success in an environment of strong market forces, changing people issues and shifting leadership competencies, a new educational model will have to be forged. Traditional models fall short in their ability to link the knowledge, skills and concepts covered to the practice of leadership within actual work organizations.

Most pointedly, the traditional learning methods most commonly

DEFINING THE NEW SOCIAL CONTRACT

While the exact details of the new social contract have not yet been fully articulated, what is clear is that companies will increasingly need and desire an expanded portfolio of skills and competencies in their people. These wants on the part of the corporation are expected to include:

- Employees who reflect ongoing learning, creativity and innovation.
- A culture of entrepreneurship with good overall business understanding, including independent initiative and leadership, responsiveness, fast decision-making and flexibility.
- A true valuing of teamwork, collaboration and cooperation — without sacrificing a sense of urgency and a focus on results.
- A willingness on the part of all employees to accept shared

accountability.

- An active and direct contribution to the overall mission.

For their part of the bargain, organizations will be expected to provide a set of processes and systems that not only are maintenance-focused, but are driven directly by the business's core value proposition and reflect a valuing of the individual employee's professional development. In order not to function as (or feel like) mere units of capacity, employees will need and demand from their corporate sponsors:

Clear goals and values

- Clarity of purpose, vision and values.

Ongoing personal and professional development

- A full portfolio of formal and informal learning programs.
- Advancement and development

opportunities.

Frequent feedback and recognition

- Fair compensation.
- Timely and relevant performance feedback.
- Recognition of value and contribution.

An enriching and regenerative environment

- Resources necessary for success.
- A safe, stimulating and challenging work environment.
- Platforms from which to contribute and be heard.
- An organization of which to be proud and to which to dedicate oneself.
- Awareness of and responsiveness to the individual differences among employees.

Furthermore, above and beyond systems and programs, the best employees — if they are to

employed in management education provide learning experiences that are inadequate in several respects:

1. They fail to provide accurate, timely feedback on competency development in the areas most germane to success. (A good metaphor for this is the function that a professional trainer or coach plays in sports or acting.)
2. They are insufficiently people-

sensitive and time-sensitive (attributes that are critical in many performance-oriented professions such as litigation and acting).

3. They need to create better practice fields (as in competitive sports) or practice sessions (as in music training) for skill development.
4. They should include lifelike situations, including crises, for learning under pressure (similar to state-of-

the-art flight simulators for pilots).

5. They must permit problem-finding and issue diagnosis as a central part of the experience (the learning method used in most professional services firms).
6. They should use master-apprentice relationships in the learning process (as is done in dentistry and medicine as well as in craft trades) so as to guide an effective ongoing

be retained — will demand from their employers a set of commitments that reflect an employee–employer relationship resembling collaboration more than mere employment, including:

Clear goals and values

- Active involvement in the creation of shared vision.
- Customers on equal footing with the company and its employees.

Ongoing personal and professional development

- Greater freedom to learn and try new things.
- Greater career security defined as employability.

Frequent feedback and recognition

- Increased appreciation of and respect for individual contributions made while working in a team environment.

An enriching and regenerative environment

- More inspiring and challenging

work and role.

- Improved ability to achieve work and life balance.

To close this loop, the very best organizations and employers will look for (and require) individuals who are willing to uphold this new contract and are capable of creating every day through their work an organization that grows along with the needs and demands of its employees as well as the market and society. The most valuable employees of the next century will demonstrate:

Clear goals and values

- Commitment to the organization’s mission, vision and values.
- Articulation of how the organization’s mission, vision and values align with personal mission, vision and values.

Ongoing personal and professional development

- Vitality, competence and a desire both to teach others

and to learn.

- Innovation, adaptability and disciplined risk-taking.

Frequent feedback and recognition

- High performance, decisiveness and accountability.
- Full contribution of effort and mental energy.
- Openness and willingness to accept feedback — and a willingness to respond or move on in one’s career.
- Desire to excel and exceed job expectations.

An enriching and regenerative environment

- A willingness to engage in an interactive dialogue and to accept reasoned outcomes.
- Ability to offer a fair day’s work while taking responsibility for one’s own work–life balance.
- Success that can stand as a source of pride for the organization.

development process.

7. They need to create mentor–protégé relationships to facilitate continuous learning beyond the formal educational process (like methods used to develop mastery in sports as well as the performing and visual arts).
8. They should threaten a trainee’s ego and job security by placing him or her on the firing line to prosper

or fail based on decisions and actions (consider survival training for the military or difficult developmental assignments for multinational executives).

Are all of these professional development learning experiences really necessary? Is it not possible for professionals to learn all that they will need to know through reading, classroom activity, computer-based in-

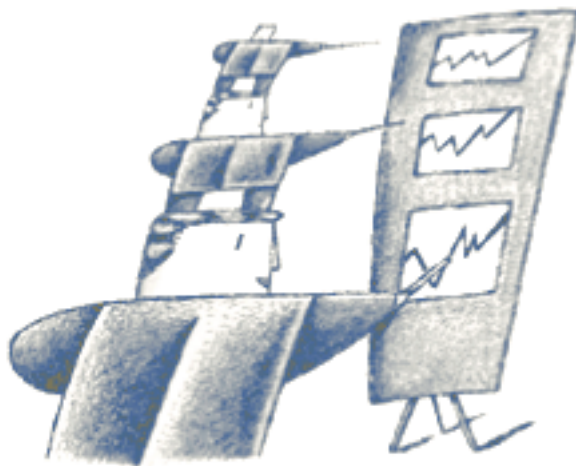
struction and vicarious experiences?

In professional services firms, our experiences have shown that the answers are: yes, the full set of learning experiences is necessary; and no, non-personal, non-experience-based learning methods fail to yield adequate professional development with respect to the leadership challenges identified for 21st-century leaders. In many ways most training currently

being offered in business contexts is not well-suited to the active and experiential learning styles and needs of adults, and these traditional methods will be even less suited to the development and education imperatives of the next century.

Provide accurate, timely feedback: Theories of adult learning always include the provision of accurate, timely feedback to the intended learner. Feedback — either as the confirmation of one's ideas or approach, or information that indicates disconfirmation or error — is necessary for people to update their beliefs and expectations regarding the outcomes of their future actions. The timeliness of feedback involves both the time between the behavior and the feedback, and the ability of the intended recipient to hear and understand the message. The power of computer-based learning is derived, in part, from the computer's capability to provide accurate, near-immediate feedback. The growing use of 360-degree feedback in work organizations (also known as multi-rater feedback or a rounded appraisal process) supports both the need for and the benefit of receiving information on how others see one's performance. Such feedback provides the recipients with an understanding of how those with whom they interact — peers, bosses, subordinates and even customers — perceive their actions. Simulations, role-playing and other

experiential activities provide opportunities for peers, instructors and observers to provide timely feedback. With such feedback, participants are able to adjust their thoughts and intentions — with the presumed goal of improving performance and receiving more favorable feedback in the near future.



Increase People- and Time-Sensitivity: The opportunity to reach out and touch someone at almost any time or place puts a premium on the ability to be sensitive to others and their time. It is easy to be intrusive or curt without necessarily knowing it — particularly via phone (intrusive) or e-mail (curt). It is equally easy to fail to keep relevant parties personally informed (all e-mail users are not equally engaged in their e-mail) or to secure the necessary buy-in from key stakeholders. As with most one-way modes of communication, there is a significant gap between what is in the sender's mind and what is in the receiver's. Sending an e-mail message and getting a response later is not the

same as a face-to-face meeting or even (to consider a new mode of social discourse) a chat room discussion. With the exception of small group work, most business education fails to incorporate relevant others into the learning experience.

Create realistic practice opportunities: Why is it that most professions, with the exception of business, actively incorporate practice activity into the learning process? Other professions have developed learning methods that require the learner to demonstrate the value of his or her learning through degrees of mastery and excellence. Even most business internships — the primary way in which business education tries to provide business experience

for students — are not practice sessions. In most internships the nature of the tasks done and the amount of supervision, coaching and feedback are quite dissimilar from those of the real job. The concepts of recitals, scrimmages, dry runs or dress rehearsals are seriously lacking in formal business education. An alternative, the modular preceptor method, initially developed by Sidney Mailick and his colleagues, provides a vivid case in point; it is described in "Learning Theory in the Practice of Management Development: Evolution and Applications" (Quorum Books, 1998), whose co-authors are Dr. Mailick and Stephen A. Stumpf. Individuals in this method are teamed with preceptors,

whose primary role is to monitor, coach and apprentice the manager-participant in the key skills of leadership.

Create lifelike situations: When the cost of mistakes is high in terms of lost lives, health or human welfare, extensive simulations have been developed to train people in the skills necessary to reduce the risk of mistakes or to improve the quality of response to a crisis. Such training focuses on identifying threats — what

and discussions. Since the participants control the simulations, it is the participants' styles, actions, goals and interests that are played out to provide a lifelike situation from which to learn.

Permit opportunities for problem-finding and issue diagnosis: Most textbooks and instructional aids focus on providing users with exercises, problems or vignettes of a situation to be analyzed or solved. Rarely is the art of finding the problem part

velop students as apprentices is minimal, and their interest in doing so is often equally low. In contrast with other professions, one might be led to believe that management is something that need not be known in order to be taught. Medicine, dentistry and the performing arts — among other professions — seem to have made a different assumption. A significant degree of personal mastery is necessary for the key skills and concepts to be passed from one person (the master) to another (the apprentice). Formal business education's reliance on books, lectures and instructors who do not (or cannot) do what it is they teach is an impediment to professional development. Teaching masters to teach — or giving them incentives to spend time teaching — is a significant challenge, but it has an enormous upside potential.

Create mentor-protégé relationships: An extension of the master-apprentice challenge for business education mentioned above is a lack of real mentor-protégé relationships. Such relationships would typically evolve between senior professionals and their junior counterparts. The essence of such relationships is the desire on the part of the mentors to share with, care for and develop more junior professionals — often out of a desire to regenerate their wisdom in another person. The protégé's role in the relationship is to express interest in and value learning from someone of greater wisdom — and in many cases the most important role of the protégé is to maintain the momentum of the relationship by reaching out for

Teaching masters to teach — or giving them incentives to spend time teaching — is a significant challenge, but it has an enormous upside potential.

might go wrong? — and developing the skills to react and create contingency plans. For the most part, business organizations have not considered the potential cost of threats (such as loss of market share, contamination of the environment, unemployment or underemployment, or loss of stockholder wealth) serious enough to warrant the investment in building simulations to train their leaders. The invention of complex, behaviorally focused leadership simulations and war games has helped to reduce this gap in professional development. Such simulations involve intensive, interactive experiences that recreate organizational life in important decision-making groups. They generate leadership and managerial behaviors that are easily recalled by participants and observed by a trained staff, facilitating later review

of the exercise. While case studies can permit some problem-finding and issue diagnosis possibilities, the amount of information excluded by the case writer is enormous. Professional services firms, particularly those in the business of defining problems (such as law firms and consulting firms), have found ways to educate their professionals on the processes of problem-finding and issue diagnosis. Much of the challenge is in providing a partially defined yet still ambiguous situation for learners to tackle. An overabundance of data without a clear understanding of which data are useful and which are not seems to be a key aspect of the learning stimulus.

Use master-apprentice relationships: Business educators in formal educational programs are rarely masters of business. Their ability to de-

contact. The lack of such opportunities in formal business education is driven by the functional and course focus of the curriculum as well as the frequent lack of any practice experience on the part of the faculty. This suggests that the process of mentoring can be done only within the work organization.

Threaten ego or job security: Significant life events, particularly those that are unexpected and personally threatening, have the ability to create years of learning in only a few moments. Some unexpected events are disasters that start people thinking again about the safety of others and the environment. Other unexpected events are less severe — they may be breaks from ways people have done things in the past, or they may be events that go beyond the responsible parties' ability to forecast. While learning usually occurs after the event in these cases, such need not be the rule: We do not need to be surprised in order to learn, and we can contemplate the future through developing "what if" scenarios and conducting threat analyses. Effective professional development in the future will focus less on rote learning of tools and study of cases, and more on experiences that guide the learners to ask such questions as What can go wrong? and What might the situation be if we projected the current information out 15 years?

NEW SOCIAL CONTRACTS BETWEEN COMPANIES AND THEIR EMPLOYEES

Questions of leadership and manage-

ment are ultimately social questions — they involve how groups of people work together and interact. Increasingly, 21st-century challenges are forcing the creation of new social contracts between companies and their employees. This trend of revising demands and expectations on the part of both employer and employee will certainly continue in the next century, and in the best organizations it will take center stage.

The terms of these new contracts are only beginning to be understood, but prescient business leaders (and

Effective professional development in the future will focus less on rote learning of tools and study of cases, and more on experiences that guide the learners to ask such questions as What can go wrong? and What might the situation be if we projected the current information out 15 years?

those interested in developing the effective leaders of tomorrow) have already begun to address the issues. For example, the prestigious Aspen Institute, which for the last 50 years has engaged groups of senior executives and other powerful public figures in discussions of the great works of social and economic philosophy, recently created a seminar titled "Shaping the 21st-Century Corporation," with the aim of facilitating dialogue on the question of the role of the corporation of the future, and its relationship with its employees and the world around it. Executive seminars at the most important business schools, not

to mention professional meetings and conferences for management development professionals and educators, have also begun to create forums to discuss how to realign the wants and needs of an organization with the constituent members who represent its most valuable assets.

The terms of these new social contracts in organizations (see accompanying article, page 46) will be substantially different from those of past generations. Each organization will have to decide how the contract should be adapted and tailored to its

environments and needs — but ignoring the imperative for a redefinition of the essential employer-employee contract will undoubtedly lead to disaster for organizations in which leadership skills and highly motivated and talented people are critical to success.

In the next century, the keys to business will be considering the full range of stakeholders and insuring that all members of the organization are treated fairly and equitably and that they feel central to the value proposition of the organization. Short-term success may not necessarily depend on taking this new social

contract seriously, but those organizations that do not address these fundamental issues will probably not have much at all to worry about in the longer term, because they will join the many once-successful businesses that have quietly disappeared.

KEY DRIVERS FOR LEADERS AND A MEANS TO SUCCESS

The challenges for leadership in the

of the value of, and approach to, business education and learning — where what was traditionally called training is re-created more broadly as professional development, and where the goal is not merely transferring knowledge but building differentiated and self-regenerating professionals who are positioned to deal with unforeseen challenges, excel in their work and grow as quickly as their environ-

by-issue basis are indirect owners (bond-holders, debt-holders), communities and regulators (government). The failure to understand and respond to any of these stakeholders will lead to underperformance, inefficiencies and significant delays in taking productive actions.

The main challenge with respect to stakeholders is balancing their different interests in both the short term and the long term. Executive-level courage is needed to fight off owners asking for more short-term profits — often the most pressing problem, but an insidious one because it hides behind the glitter of short-term rewards and immediate gratification.

The primary tool for addressing the problematic privileging of one stakeholder group over others is the company's values and mission statement, or statement of purpose. If the mission statement says that the primary value is wealth accumulation for the owners or stockholders, then focusing on short-term profits is to be expected. If the purpose and value proposition are broader and include employees, customers, clients and others, then it is the leadership team's responsibility to balance the value to these multiple stakeholders accordingly. Like most things in this life that are worthwhile, recognizing the answer is the easy part; actually implementing it requires vigilance, rigorous discipline and a senior management body committed to keeping the organization truly aligned with its core values — forever.



next century are significant. Organizations prospering at the end of the 20th century that have begun proactively to deal with these questions and challenges are going to be well-positioned to succeed. The challenges for developing the next century's successful managers and leaders are no less intimidating. We have sketched out some of these issues and have suggested ways to build and develop the competencies and skills critical for success.

What may be required above all, however, is a fundamental rethinking

ments and responsibilities demand.

The primarily economic model of corporations from the 20th century may be inadequate for the future, and needs will continue to change in the next 20 years. Significant stakeholders who must now be fully considered and integrated into the decision-making process within knowledge-based businesses are: employees and managers (viewed as the most important stakeholders by many); suppliers; customers and clients, and owners (stockholders). Other stakeholders to be considered on an issue-

Reprint No. 99305