

Global Leadership Trends and the Situation in Central and Eastern Europe

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Abstract

The article highlights the most frequently mentioned leadership development trends in the near future based on the experience and expectations of the global organisations operating across a vast array of countries and industries and offers insights on a variety of leadership topics. It underlines that the global business environment has changed: it is now more volatile, uncertain, complex and ambiguous. Nowadays, leaders are facing information overload, increased globalization, interconnectedness of business communities and systems, and they must learn to deal with new technologies that disrupt old work practices. In summary, not only has the environment in which organisations and individuals operate changed but also the skills needed for leadership have shifted to more complex and adaptive thinking. Collective leadership, vertical development, interacting, leadership on all the levels, and managing and leading the differences among the generations are the major leadership trends. The situation in Central and Eastern Europe reflects global trends to a certain level – the article discusses the major differences in leadership development in this region.

Key words: leadership development, leadership trends, leadership in Central and Eastern Europe.

Introduction

The article highlights the most frequently mentioned leadership development trends expected to be spreading in the near future according to various reports and company representatives. The most influential reports examine international organisations operating across a vast array of countries and industries and offer insights on a variety of leadership topics. The company resources for this research were found in various practitioners' meetings and workshops.

According to the resources, the business environment has dramatically changed. It is now more volatile, uncertain, complex and ambiguous (referred to as VUCA environment). Nowadays, leaders are facing information overload, increased globalization, interconnectedness of business communities and systems, and they must learn to deal with new technologies that disrupt old work practices. In summary, not only has the environment in which organisations and individuals operate changed but also the skills needed for leadership have shifted to more complex and adaptive thinking.

1. Major Leadership Development Trends

Having examined the current situation, let us now focus on the future trends in leadership development practices that we will observe spreading in the near future.

1.1. Greater Focus on Collective Leadership

Among the trends published in the Future Trends in Leadership Development report by the Center for Creative Leadership (CCL, 2015), leadership development has reached the point of being too individually focused and elitist. Instead, as the report reveals, a greater focus will be placed on collective rather than individual leadership in the future. Reflecting the changes in environment, the leadership will need to spread throughout networks of people in order for leaders to come up with the best solutions to complex problems.

What does it mean in practice? Especially organizations operating in complex environments will need to adapt to this new paradigm of collective thinking. While traditional companies in stable environments that require little creativity from staff may be more effective if they stick to the traditional and individualistic control management styles, companies operating in uncertain and complex environments will need to quickly develop networks and cultures in which leadership flows through the system. The complex environments in the upcoming years will reward only responsive and flexible collective leadership.

1.2. Focus on Vertical Development

The Center for Creative Leadership report also mentioned a future trend which is directly related to the future training programs – they are expected to be less about realizing a certain competency model and more about the vertical development. While competency-based models belong to the domain of horizontal development, vertical development focuses on the stages that people go through as they learn for themselves and grow mentally. In the future, organisations will need to help leaders grow simultaneously in both vertical and horizontal directions.

What does it mean in practice? New training programs will allow leaders to think in a more complex way and develop a new mind-set that will in turn help to initiate new leadership styles. Those leadership styles will be more collaborative and participatory than before – they will all flourish thanks to the skills and knowledge acquired in restructured leadership development programs in 2015.

1.3. Transfer of Greater Developmental Ownership to the Individual

The Center for Creative Leadership report also mentioned a future trend focusing on helping people feel responsible for their own progress and owning their individual development. According to social psychologists, people's motivation to grow is the highest when they feel a sense of autonomy over their own development. However, as the report reveals, a current training model of the last 50 years has bred dependency, inadvertently convincing people that they are passengers in their own development journey.

What does this mean for the practice? Organizations will need to help people out of their passenger seat and into the driver's seat of their own development. Staff should no longer feel their development is owned by someone else, namely HR, training companies or their own manager.

1.4. A Globalized Approach

The report on Global Leadership Forecast 2015 (CLF, 2015) conducted by DDI, a talent management consultancy, revealed that the ability of leaders to lead across countries and cultures regardless of the company's size has become a growing concern for organisations. Simon Mitchell, UK general manager for DDI states that *"Businesses must recognize that managers and leaders that operate outside of the home market or as part of a team that stretches across borders need specific skills and qualities such as coping with ambiguity, having clear*

and effective interactions and making decisions in unfamiliar environments become increasingly challenging when operating across border.” (CLF, 2015).

What does it mean in practice? The report suggests that organisations and HR should place a greater focus on skills that have been rated as most critical to improve leaders’ success in the upcoming years, *leading across countries and cultures* being one of them, and incorporate them in their leadership development programs.

1.5. More Focus on Interacting

The Global Leadership Forecast 2015 report conducted by DDI reveals that organisations should strive for a better balance of how leaders spend their time. The report shows that if given a preference, leaders would nearly double the time they spend interacting and cut in half the time they spend managing. A heavier focus on managing leads to less job satisfaction, higher turnover and lower engagement among leaders.

What does it mean in practice? Organizations should foster an environment in which leaders and staff can interact. If organisations signalled that time leaders spent interacting is as valuable as time spent managing, they would have stronger leadership bench strengths. In addition, leaders who spent more time interacting are more effective at coaching and developing others, communicating with others, developing strong networks and partnerships, identifying and developing future talent and fostering employee creativity and innovation.

1.6. Managing Generational Differences

One of the most important developments of the global leadership scene is the rise of millennials, who will now obtain more leadership positions with high level responsibilities. Aon Hewitt Top Companies for Leaders study results point out that in the near future, organizations will need to learn how to mitigate the generational differences, which will arise once millennials get hold of executive jobs, and how to develop new strategies to benefit from the strengths of this generation (AH, 2015).

Millennials (born after 1980s to the early 2000s) are generally described as team-players and high achievers. They are independent but like to follow rules – they are confident but trust authority. They are the only generation that has grown up completely immersed in technology, so it is only natural that their leadership style will be completely different than the one endorsed by generation X.

What does it mean in practice? Especially organizations that rely on greater supply of younger leaders face unique challenges. HR professionals should reevaluate their employee value proposition, especially as it targets multiple generations. Flexible arrangement and offering of value would support different employee needs and motivations. In addition, providing millennials with greater understanding of their career path will help to keep them engaged with the organization.

1.7. Development of Leaders at All Levels

The report produced by Bersin and by Deloitte on Engaging the 21st century workforce also points out that nowadays many companies struggle to fill leadership gaps found on all levels of organization (DC and Bersin, 2015). The trend for detecting potential leaders and nurturing them in the development of their skills will be crucial in the upcoming year as companies will grow more and more committed to developing new leaders. The challenge is to invest in future leaders and develop leadership pipelines that are global, broad and deep, reaching to every level of organization.

What does it mean in practice? In order to tackle this challenge, strong commitment to leadership from the board and executive team and significant investment of time and resources are needed. HR leaders need to ask themselves whether they are confident that what they are doing is enough and whether they are exploring new approaches to move simultaneously with their business’s leadership requirements. Organizations can start by engaging top executives to develop a leadership strategy and actively govern leadership development, align and refresh leadership strategies to evolving business goals, and implement effective leadership programs focusing on developing leaders at all levels, developing global leaders locally and developing a succession mindset.

2. HR Function and Leadership Development in Central and Eastern Europe

More than two decades ago, the former socialist countries in Central and Eastern Europe (CEE) experienced a wave of revolutions as socialism (or communism) in Europe disappeared. The new social and economic order meant turmoil. One of the most significant changes was that these countries opened to foreign investments. Indeed, foreign investments started to pour into a region where ownership participation by “Western” countries and companies was previously unheard of.

At the beginning of the liberalization process, Western multinationals used privatization as the primary channel of entry. Many of them created joint ventures with local partners and later started to buy out the local stake. In other cases, they bought the local companies outright or invested in a greenfield operation.

One of the first challenges the multinationals faced on the CEE markets was the need to hire skilled and talented local employees. In the early stages of the transition, their requirement was usually just foreign language fluency – French companies preferred French-speaking local nationals, German companies hired German-speaking employees, and other investors (including those from the USA or Great Britain) looked desperately for English speakers. This was especially true for HR positions – investors needed local liaison officers who could communicate with the local labor force in their native tongues and with foreign expatriates and their headquarters in the investors’ language(s).

As such, the first HR positions were taken by those who studied foreign languages or foreign trade (the only economic discipline in which students were prepared to communicate with foreign customers) or by talented graduates with engineering, chemical, or technical degrees (depending on the activity of the foreign investor) who had studied a foreign language mostly as a hobby or almost as an accident. Almost all of them were in their late 20s or early 30s – the older generation did not have the requisite language skills.

This inaugural cohort of CEE HR managers was typically trained by their companies and in many cases mastered their jobs quickly. The first needs of the HR function in CEE were rather administrative: at the end of the 90’s, the HR function focused on building the basics. In the tumultuous mid to late 90’s, it was oriented towards managing change. It has finally started to focus on strategy. Currently, many members confirm that their strategic role has been developing quickly; however, it is still far from the stage where they would like it to be.

The lack of progress is partially due to the economic development of the region: in the 90’s, the region was in a deep transitional economic recession. In spite of this recession, many foreign companies entering the region grew quickly due to the first-mover advantages, lack of local competition, and large, unsatisfied demand. Building the HR basics was a must at that time. Later, many of them needed to re-orient and change (partially also due to the development on the Western market) and HR had become a partner of the top management in the change process. The beginning of this millennium meant unprecedented growth in many activities in the CEE – the region has economically recovered and started to grow much faster than the developed countries of Europe (sometimes called “old Europe”). The HR function became more self-confident and started to move in a strategic direction. The economic crisis in 2008 halted this process. HR in many companies have reverted to a more transactional role, focusing now on lay-offs, cost cuts, and the need to manage trade union relations. However, the need to be strategic is now much more important than ever before.

And where do we see the future of our HR network now? The European space is becoming more homogenous, with the differences between East and West eroding. Strategic thinking in all areas of business activity, including HR, is essential to survival and growth. The same strategic thinking is needed throughout Europe, from Prague to Paris, Bratislava to Bonn (Ferencikova, Gillett, 2010).

What does it mean in practice? The short story of the market economy in Central and Eastern Europe means that the leadership models and examples are missing. Some role models can be found in foreign-owned companies, especially in those whose parent companies behave according to the high ethical standards and with the full responsibility towards local employees and economies.

However, many local business leaders have created their fortune based on political influence and murky privatization and cannot be named as role models. The real local leadership models are those who started their businesses after the wave of revolutions and built new companies from scratch, for example in the technology-driven industries and IT. These local successful businessmen and leaders are not suspected to cooperate with the political elites and are considered ethical - their companies operate successfully across the globe – they cannot rely on state subsidies, preferential treatment and strong local influence – they have to prove themselves in far stronger competitive environment and, therefore, they can serve as examples of the real ethical independent business leadership.

Conslusions: Leadership Development in the Future

According to various reports, every industry, including the public sector, sees *leadership* as a top priority followed by development of *workforce capability, learning and development, reskilling the HR function and retention and engagement*.

Reflecting the environmental changes, competencies of future leaders have to adapt as well: the competencies that will be most valuable for the future leader to possess include *adaptability, self-awareness, boundary spanning, collaboration and network thinking*. Having this in mind, the future of leadership development strategies will reflect how companies deal with new leadership challenges and economic realities.

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