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Changing Demands of Leadership in New Economy – Critical Competencies for e-Leadership

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Abstract

Progresses in the field of information and communication technologies in last one decade or so have transformed our lives in many ways. One of the strongest impacts of these breakthrough discoveries can be seen in the way businesses are run. Organizations today are faced with a fundamental challenge of finding competitive advantage in a world in which many of the old sources of competitive advantage are no longer enough. In such dynamic environment leaders have the challenge of developing new skills and competencies to cope up with the competition and uncertainties of the environment. This study is an attempt to find these changing dimensions of leadership. The study has special significance for practitioners. It gives the dimensions of leadership, which the leaders of future need to develop. Leaders willing to win and organizations willing to succeed in the new business environment need to compare their actual strengths with the ones they would need to be successful and develop the required competencies accordingly.

1. Introduction

We live in an era of rapid changes in every sphere of life, be it individual life styles, organizations or societies [1] [2]. These changes are primarily driven by the technological revolution of last one decade or so, especially in the field of information and communication technologies. The business environment though trying to reach a stable state, is still in a state of great flux. Gary Hamel, in his famous work “Leading the Revolution” says [3, p 4]:

“... We now stand on the threshold of a new age – the age of revolution”.

It is this ‘age of revolution’ which has been given various names like ‘new economy’, ‘digital economy’, ‘information age’, ‘knowledge age’, ‘post-industrial economy’ etc by the scholars [3] [4] [5] [6]. Organizations today are faced with a fundamental challenge of finding competitive advantage in a world in which many of the old sources of competitive advantage are no longer enough. This has implications for leadership too. There is increasing acknowledgement by scholars that the requirement of leadership competencies for success in new economy will be different from that for the old economy [7] [8] [9]. Identification of these dimensions is

important for leaders as well as organizations in order to be successful as well as to implement organization wise strategies for leadership development to face the challenges of the new economy.

2.0 Research Question and Literature Review

The study attempts to answer the question whether there is any change in the requirements of leadership for successfully operating in the new economy and if indeed there is change in leadership requirements, what are the leadership dimensions which are more important than others for the new economy.

The study looks at leadership from competency perspective. The review of literature suggests that in recent times more and more importance is being given to leadership competencies under various leadership approaches. The existing competency literature on leadership includes many studies of current leadership competencies and surveys of leaders inquiring about their views on future leadership competencies [10] [11] [12] [13]. However literature is lacking to assess how leadership competencies will be different in the new economy as compared to the traditional old economy. The studies done in India on business leadership primarily focus on past and current successful leadership examples and the issues related to leadership development [14] [15] [16] [17]. Although these studies are certainly informative and lessons learned continue to be applicable, these cannot be sufficient guides for the changing business environment. What is more important today is not to analyze how one achieved success in the past but to identify how to be successful in the future. There is huge gap in available literature when it comes to leadership issues for the future in Indian context. This study is an attempt to bridge this literature gap.

On review of extant literature, following competencies were identified for the study:

Vision, problem solving, integrity, team Building and team work, human resource management, innovative and creative thinking, initiative, customer orientation, teaching (coaching, mentoring), interpersonal skills, communication, self-awareness, financial management/quantitative ability, technical competence,

technology adoption and management, negotiation, influencing others, flexibility, speed in decision-making, ability to take risk, ability and willingness to learn, conflict management, external awareness, and stamina (physical and mental).

3.0 Methodology

A survey of Indian corporate leaders, both from old economy as well as digital economy organizations was conducted with the help of a self administered questionnaire. The subjects belonged to top and senior level executives of Indian corporations as well as Indian subsidiaries of multi national corporations. Though most of the competencies used in the study have been used by researchers in earlier studies, a pre-test was employed to refine the questionnaire. A sample of 40 leaders was selected by convenience sampling for pre testing and reliability analysis was carried out via item to total correlation and Cronbach coefficient alpha using SPSS-11.0. All the competencies were found to be above the cut off point of 0.3 and the values of Cronbach coefficient alpha for old economy as well as digital economy was found to exceed 0.7.

An informal face validity test was conducted and the questionnaire was shown to academicians and industry experts. After satisfactory responses from the experts, the questionnaire was subjected to factor analysis using SPSS 11.0. All the competencies were factor analyzed together to test the convergent validity for old economy and digital economy separately. A minimum value of 0.40 was used to indicate the loading of any factor. It was found that the competencies for both, old economy as well as new economy were convergent.

The main study was carried out during April 2002 to August 2002. The sample was chosen by stratified random sampling from ET 500 (March, 2002) and Global 500 (July 22, 2002) [18] [19]. The companies were stratified into new economy and old economy organizations to have equal representations of the view points of both sets of leaders.

The questionnaires collected for the pre-test were also included for final analysis. A total of 249 correctly completed questionnaires were received, of which 109 belonged to leaders from new economy organizations and 140 belonged to old economy organizations. The reliability of the scale for old economy and digital economy was assessed again via item to total correlation and Cronbach coefficient alpha using SPSS-11.0. All the competencies used in this study exceeded the cut off point of 0.3 on item to total correlation. The Cronbach coefficient alpha was 0.938 for old economy competencies and 0.931 for new economy competencies.

4.0 Analysis and Findings

Dependent samples t-tests were used to see if leaders perceived certain competencies to be more important for new economy as compared to old economy. Based on the average rankings of individual competencies for new economy, a set of competencies was identified to be critical for successful e-Leadership.

The results of dependent sample t-test reveal that the importance of most of the competencies has changed significantly from old economy to new economy in the perception of Indian leaders. The p-value of 0.05 was used for testing the null hypothesis that there is no significant difference in the importance ratings for a particular competency for digital economy as compared to traditional old economy. The competencies for which the test does not support a significant difference (p-value greater than 0.05) are listed in the table 1.

Table 1: Leadership Competencies, which are not significantly different in new economy from old economy

Perception of old economy leaders	Perception of digital economy leaders	Perception of old economy & digital economy leaders taken together
Integrity Interpersonal Skills Communication Skills Self Awareness Conflict-Management Stamina	Problem Solving (p=0.053) Communication Skills Negotiation (p=0.060)	Communication Skills Negotiation Influencing Others (p=0.064)

Communication skill is common for all three and we can conclude that requirement of communication skills, as leadership competency has not changed in digital economy from traditional old economy. Other skills, requirement of which have not changed in the perception of old economy leaders are integrity, interpersonal skills, self-awareness, conflict management and stamina. In the perception of digital economy leaders, communication is the only skill whose requirement has not changed significantly since p-value for problem solving and negotiation is very close to 0.050. If we take the perceptions of both, digital economy and traditional old economy leaders together, we can see that requirements of 'negotiation' and 'influencing others' besides 'communication' have not changed, though the test results are very weak for 'influencing others' competency.

Table 2 lists the competencies which have changed most in importance for new economy from old economy in the descending order.

Looking at the rankings, only for the new economy, the top five competencies which can be said to be critical for success in the new economy are Vision, Customer

Orientation, Technology Adoption & Management, Speed in Decision-making and Innovative & Creative Thinking.

Table 2: Leadership Competencies that have changed most for new economy

	Competency
1	Technology Adoption & Management
2	External Awareness
3	Speed in decision making
4	Teaching (Coaching, Mentoring)
5	Ability and willingness to learn
6	Innovative & Creative Thinking
7	Customer Orientation
8	Human Resource Management
9	Flexibility
10	Ability to take risk
11	Team Building & Team work
12	Technical Competence
13	Vision
14	Financial/Quantitative Ability
15	Initiative
16	Conflict Management
17	Stamina (physical and mental)
18	Self Awareness
19	Interpersonal Skills
20	Problem Solving
21	Integrity
22	Influencing others
23	Communication Skills
24	Negotiation

5.0 Conclusion

The study supports the view that the requirements of leadership are changing. It specifically brings forth the competencies whose importance has changed most and also how a different set of competencies has emerged to be critical for success in digital economy.

This study will be significant to both academicians and practitioners. It fills a big gap in leadership literature when it comes to assessing the changing requirements of leadership competencies for digital economy. From a practitioner's perspective, this study gives the dimensions of leadership, which the leaders of future need to develop. Leaders willing to win and organizations willing to succeed in the new business environment need to compare their actual strengths with the ones they would need to be successful. The leadership competencies identified in this

study to be important, will help the managers in developing right kind of competencies to become successful leaders. The findings of the study could be useful for the human resource managers in making right selections for leadership roles. The study should also be useful for the old economy organizations, trying to adapt to the new business environment.

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