

Globalization

2.0

The global balance of power is shifting



The nature of leadership will have to change dramatically if organizations are to harness the benefits and counter the negative effects of the six megatrends identified by Hay Group as likely to have the greatest effect on organizations and their leaders over the coming decade. Here we examine the organizational and leadership implications of one of these megatrends, 'globalization 2.0' >>

Increasing globalization is a given, with international competition likely to grow fiercer and markets even more diversified. Yet the nature of globalization is changing (hence the term 'globalization 2.0'), largely due to a shift in the global balance of power to Asia and to the rise of a global middle class. India and China are rapidly becoming world powers, Asian management practices and models are becoming more influential, and emerging nations

are increasingly trading between themselves. Yet despite the rise of a global middle class, regional markets are behaving more idiosyncratically, with local 're-regionalization' a feature of the new world order. And the global business world is getting riskier too: greater inter-connectedness creates greater volatility, making financial crises, pandemics, international organized crime and cyber-terrorism increasingly likely.

So while globalization is unstoppable, it won't proceed smoothly. Organizations need to be aware of and sensitive to the changing political and economic sensibilities in different countries – particularly emerging and developing economies – which could reduce, at least temporarily, global interdependence and accessibility. What's more, while consumption patterns among the new middle classes are converging, the values of those in emerging nations may differ widely from those in the West.

Organizational implications

In practical terms, this means that international companies will need to adapt their global strategies for local markets. Successfully managing the competing demands of global and local will depend on the extent to which they foster local participation in decision-making, create culturally-diverse (and often virtual) leadership teams and encourage cross-country and cross-functional collaboration. Overall they will need to become much more agile, as the best global companies operate like a flattened matrix, where information and authority flow in all directions rather than cascading down from the top.

Leadership implications

The strategic thinking and cognitive skills leaders will need to navigate this new world order are unprecedented. Good implementation and execution are no longer enough – if, indeed, they ever were. As well as being multilingual, flexible, internationally mobile and adaptable, and culturally sensitive, leaders will also need to be highly collaborative and strong conceptual and contextual thinkers. Additionally, they will need the ability to lead diverse teams (cross-functional, cross-cultural, cross-country) over which they may have no direct authority, and to find new ways of engendering personal loyalty in an environment where the old loyalties between employer and employee are declining due to the distance between them.

What's more, the leadership task is too big for any one individual to handle on their own, making collaboration among a range of different people essential even at the stage of conceptualizing challenges. What globalization 2.0 makes abundantly clear is that the days when one or two 'heroes' sat at the top of organizations dictating strategy are well and truly over.



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About Hay Group

Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organize people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organizations realize their potential.

We have over 3000 employees working in 87 offices in 49 countries. Our insight is supported by robust data from over 125 countries. Our clients are from the private, public and not-for-profit sectors, across every major industry.

To find out more about how to prepare your organization for the leadership challenges that lie ahead, contact your local Hay Group office through www.haygroup.com