

Leadership in the sixth wave—excursions into the new paradigm of the Kondratieff cycle 2010–2050

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Abstract The paper investigates the concept of leadership and its significance to businesses, societies and individuals in the next 40 years. The underlying framework in the paper is the theory of socio-economic change originally developed by the Russian economist Nikolai Kondratieff. A theory about the long cycles of modern economies and societies, it posits that we are living at the end of the fifth cycle and about to begin a new, the sixth cycle. This emerging new wave of development calls for intelligent use of resources. Leading the human capital of the organization will become a key challenge for the companies as the shift in values demands more attention to the needs of employees. As a result, three key leadership themes are rising: first, how to build a vision that motivates people over profitmaking for the shareholders. Second, how to align business ends with social ends. And third, how to build a learning organization where the usual silos are being torn down. Conclusion: The leadership qualities in demand for the next Kondratieff wave calls management for being socially aware as well as direct, transparent and empowering.

Keywords Futures studies · Leadership · Kondratieff waves · k-wave theory · Human capital

Introduction: financial crisis, next Kondratieff wave and leadership

Value change and demands on leadership must be understood in its historical and social context. Dominant management styles emerge from the *zeitgeist*, reflecting prevalent social

values. This will be the case also in the future. If we wish to understand how leadership can be conceived of and implemented in the future, we must be able to see what kind of a world we are about to enter. Therefore it is important to have a conceptual framework about the mechanism of change in our global system as it will unfold in the next 40 years. The challenge to leadership can only be understood against this background. This is relevant particularly since economic, social and environmental challenges in the coming decades will differ radically from those of the recent past. The long and intensive growth period in Western economies seems to come to a halt. Simultaneously, growing inequality witnessed in most countries will raise new social conflicts [1]. Moreover, the threat of climate change and resource depletion has become depressingly real [2].

Yet at the same time, the world population is growing. Many Asian and other Southern economies are growing at a far higher pace than those in the West. The next 40 years will show a shift in the focus of economic activity towards the South and the East. Simultaneously, in the face of increasing material demands combined with dwindling natural resources, the innovation capacity of the world will focus on the question of how energy and material resources can be utilized in a far more efficient way. This productivity increase needs to be tenfold [3]. The challenge is ultimately an ethical one, because the values and concerns of the people already revolve increasingly around the issue of a more harmonious relationship to nature. The preferences of consumers will shift towards products and services in which these concerns are taken into account.

Ever since 2008, our economies have experienced a massive backlash. Many countries have been brought to their knees as the banking system has been brought to a standstill through fear, causing economies to stagnate and governments to indebt themselves in massive ways. As for now, early 2014,

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it is still rather uncertain if economies are ever to recover to recapture the growth path of the years before the crisis.

The most powerful impact the financial crisis has had has to do with our too narrow understanding of how economies work. That the financial crisis can be counted to belong to the works of “animal spirits” is possible through the tremendously important work of two of the top-economists of the world, Robert Schiller and George Akerlöf. In their seminal work, with this title, they showed how the financial crisis was essentially brought about because of the bad leadership of governments over private market actors. Indeed, there is a substantial amount of evidence of bad leadership, whether in regional structures, national governments or in private companies, that led to this rather disproportionate crisis, to be equaled only with the Great Recession of the 1930s [4].

What we argue here is that bad leadership—in many levels—made the financial crisis possible. But there is another underlining fundamental factor too that explains why we have run into this current socio-economic and political mess. This reason has to do with the long-term dynamics of our socio-economic and technological system. As we have already argued elsewhere, the financial crisis has marked the inevitable shift from the fifth to the sixth wave of development, known as Kondratieff cycles [5]. This theory states too that the principles on which the economic system stands become outdated as the wave gears towards the end. On the systemic level we can easily verify that indeed, liberalization of the financial markets—particularly in the US—led to the kind of behaviors and instruments that ultimately torpedoed the performance of the key Western economies. When this coincided with reckless behavior of many European governments the result was a massive stagnation of economies.

All this has happened before. In each major financial crises in the course of industrial economies—the Panic of 1837, the Long Depression of 1878, the Great Depression set forth in 1929 and the Oil Crises of 1973 and 1980—there has been a set of new technologies, first engendering productivity increase, keeping interest rates high, then the driver begins to be exhausted with less return for investments, interest rates getting down towards zero as the demand for credit slows and inevitably the crash is on.

Kondratieff himself postulated four major signs for a new cycle [6]. Firstly, there appears an exhaust of the basic innovation. Secondly, an excessive amount of financial capital—vis-à-vis physical capital—has accumulated. Thirdly, there appears a passage of severe recession, a gateway for radical change. And fourthly, surplus of institutional and social changes occur, leading to new organizational cultures. As we may observe from the vantage point of the present, all these criteria were more than sufficiently met in the context of the financial crisis. The aftermath that followed, with new economic and political aspirations, marks the beginning of the new socio-economic cycle. Below, I will sketch briefly the

outlines of the world we are about to enter, and in which organizations must try to survive and thrive.

One of the key aspects of futures research is to analyse the long-term cyclical patterns of societies and economies. Perhaps the most famous attempt has been *The Third Wave* by Alvin and Heidi Toffler [7]. The theory is based on the assumption that after the agricultural and the industrial wave, we are now entering a third wave, that of information, which will sweep over all civilization and bring forth new structures and modes of organization.

In assessing past attempts to understand such long-term cycles, we will focus on the theory of structural cycles developed in the 1930s by the Russian economist Nikolai Kondratieff [8]. According to Kondratieff, modern economies develop in cycles which last approximately 40 to 60 years. These cycles are known as Kondratieff waves. They all begin with technological innovations which penetrate throughout the entire economic and social system, bringing about a long period of economic boom and steadily increasing productivity [5, 9].

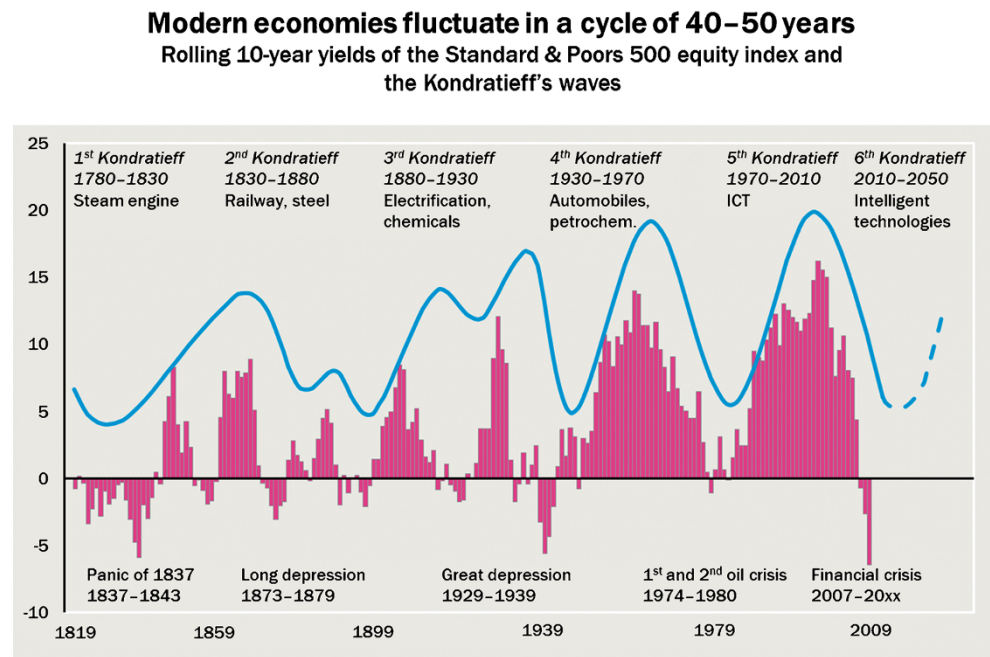
This development goes hand in hand with the changes of value systems, social practices and organizational cultures. At some point, however, the new technological networks begin to offer decreasing returns on investment. This leads to the stagnation of credit demand, with real interest rates falling to zero. Every major economic crisis in the past 200 years has followed this pattern, not excepting the latest financial crisis. The development of our economy is determined by the structural pattern, as shown in Fig. 1.

One particularly interesting question is how economic, technological, social and cultural changes can be analysed and predicted using Kondratieff's theory. Generally speaking, the theory states that each cycle encompasses the following events:

- a. New industries emerge, replacing the old ones.
- b. A new, extended economic boom sets in with the rise of equity markets.
- c. New value systems begin to dominate, governing public debate and planning.
- d. New professions and skill standards appear.
- e. *New corporate cultures begin to dominate.*

In this scheme, the recent financial crisis, from which we have by no means recovered yet, signifies the end of the fifth Kondratieff wave and the emergence of the sixth. The new cycle will bring new economic incentives and new social trajectories. Whereas in the previous cycle, the spread of ICT led to a dramatic increase in the productivity of labour, we may now assume that incentives will arise from environmental and bio-based technologies, leading to an increase in productivity in the use of raw materials and energy.

Fig. 1 Long-term structural cycles in technology and economy—rolling 10-year yield. Standard & Poors 500 Equity Index (Data Stream, Allianz Global Investors, Wilenius 2011 [10])



Data source: Datastream. Allianz Global Investors Capital Market Analysis, Wilenius 2011.

In terms of leadership, an interesting twist can be observed in management practices and theory. The predominant shareholder value model—so prevalent in the 5th wave—has begun to shake. It all started when the management guru of the 5th wave, GE long-time CEO Jack Welch, came out of the closet by publicly stating that “the idea of the shareholder value as a strategy is dumb”.¹ The connection between leadership model and the drivers of the upcoming wave is a rather intimate one, which is what we are about to explore in the latter part of this article.

Kondratieff waves

The first Kondratieff wave was dominated by the invention of the steam engine, which signalled a dramatic increase in productivity in the early days of industrialization. The second cycle was dominated by the proliferation of railways and steel—both were crucial to the spread and distribution of industrial production. The third wave saw the electrification of the world and the spread of chemicals in agriculture, speeding up innovation also in medicine. This wave came to an end with the great depression at the turn of the 1920s and 1930s. All these waves have been characterized by the leadership models, where there has been a huge difference between managers and workers in terms of their position to influence. Without too much of exaggeration, we might argue

that workers more or less were possessed by the owners and they had very little to say about how their work should be conducted.

The fourth Kondratieff cycle saw the advent of the T-Model Ford and the entire auto industry, strengthened by the growth of the petrochemical industry. Much of the increase in labour productivity in this period derived from this development. Ford’s idea of factory organization represented a novel idea of the way a company should be led like a highly performing machine. The fourth wave, with long period of cheap oil and stable economy, collapsed with the oil crisis of the early 1970s. At the same time, however, certain key innovations saw daylight, such as the microprocessor, which ushered in the fifth wave. The first microcomputer was built in a garage in California, and a little later the first wireless NMT telephone network was set up in the Finnish archipelago. In the years that followed, these basic innovations were developed and refined and distributed around the globe, creating entire branches of new industry. As this new technology found its ways gradually to every corner of human life, it brought gradually forward a new idea of a more distributed power and intelligence. Yet, as we observe in this article, leadership mostly remained centrally organized and shareholder value creation most often represented the highest goal for business.

The rise of Nokia was emblematic of the age of ICT. But we must understand that it was a child of its age. Nokia went surfing on the fifth Kondratieff wave and showed its power, because the ICT applications greatly increased the productivity of the economic and social system. Once again we see how

¹ http://www.businessweek.com/bwdaily/dnflash/content/mar2009/db20090316_630496.htm

a specific innovation solved certain key questions relating to the development of the previous waves, simultaneously creating challenges for future waves. Moreover, Nokia developed a highly distinctive culture of leadership (see the following chapter). The global redistribution of production capacity and excess supply are among the factors inherited from the fifth Kondratieff wave, just when the new wave begins to develop its own characteristic drivers. Together with the consequences of the preceding waves—the massive distribution of cars, oil, technology and services—they provide solutions to the challenges of the previous phase, while also raising economic productivity onto an even higher level.

Environmentally accountable productivity

In the previous wave, the excessive use of energy and materials, coupled with insufficient technology, launched a development which was unable to prevent petrochemical pollution in its various forms. This alone defined a major agenda for the sixth Kondratieff wave, which will set the tone of global development for the next 40 to 60 years. The increase in productivity must be found from a decreasing use of non-renewable resources, such as metals and minerals, and from lower energy intensity.² The search for better resource productivity will steer both businesses and societies, defining new products and services. The next wave will see the emergence of entirely new branches of industry, some of which are as yet completely unknown to us. New professions will also appear to fuel the development (Fig. 2).

This future age of natural resource productivity and compulsory scarcity will be reinforced by a political agenda: climate change, the shift from fossil fuels to renewable energy, the over-exploitation of natural resources such as forests, fish stocks and water, the conservation of biodiversity along with many other sustainability issues, all these will set the pace for national programmes and legislation, taxation, even party politics. Just as before, new political agendas will generate new business. Only this time around, production will be globally distributed from day one. This is the great novelty of the next wave: for the first time in history, there is global competition over who will set the trends and benefit from them.

Globalization, one of the two key megatrends of the sixth wave, will essentially mean rebalancing the global economic power system. Led by China and India, the Southern hemisphere countries are developing fast. The growth in China in particular is unprecedented: if its economy continues to grow at the present rate, it may in the

next 10 years overtake the USA and the European Union.³ On the other hand, there are some signals to show the slackening of the speed [11].

This will result that at the end of the next Kondratieff cycle the sphere of global economy will seem dramatically different. And as we know, pure economics is just one part of globalization. As some researchers have been eager to point out, the social dynamic of globalization will turn this economic prosperity into social power relations, which in turn will be a major factor when cross-border cooperation is supported with new technologies [12].

Ageing population in the west

Demographic change is the other key megatrend of the sixth wave, one which will shape our societies more than any other social factor. There are two reasons for this: first, population growth will continue at least into the latter half of the century, although the rate of growth is already slowing, and second, the dependency ratio is changing rapidly due to decreasing birth rates and increasing life expectancy.⁴ The structure of demand is being altered fast by the needs of our ageing societies. As a result, we may expect that the health sector in the industrialized world will grow to the extent that in the next 20 years it will have become the largest single economic sector in the world.

Demographic change has an insidious yet predictable effect on the economy. Ageing in the industrialized countries will undermine the foundation of human capital, and increasing life expectancy will place enormous pressures on public welfare. Two of the most populous countries in the world, China and India, will become global heavyweights in education and qualification: China in the next decade, India somewhat later. The enormous impacts of demographic change will emerge over time in different ways. In some cases, the change may be reflected in the decreasing performance of the national economy, as in Japan.

The ultimate pressure that will be executed by a growing (and wealth-driven) population has to do with natural resources. Simply put, the growing demand of commodities is bringing in a terribly important question: what will happen to those billions of people that cannot respond to the rising prices? As we already have seen in some developing countries, this issue alone contains social dynamite: it can create revolutions. This is why a different kind of leadership is needed in the sixth wave if we are ever to survive the wave of upheavals.

² See the publications of the International Resource Panel 2011, <http://www.unep.org/resourcepanel/>.

³ See the forecast by euromonitor: <http://blog.euromonitor.com/2013/05/forecast-worlds-largest-economies-in-2020.html>.

⁴ See <http://www.unfpa.org/pds/trends.htm>. Accessed 22 Sept 2013.

Fig. 2 Key parameters in the sixth Kondratieff wave 2010–2050



How did leadership become a strategic question?

In the late 1990s, a journalist from the *Fortune Magazine* came to Finland to discover the ‘secret code’ of Nokia. At the time, the corporate sector was baffled by the unbelievable steps by which Nokia had become one of the most successful global players in the world. The journalist started the exploration by interviewing several members of the firm’s top management. In these discussions, many possible explanations for the remarkable success story were suggested. Superior technology, distribution system and efficient processes were among the reasons cited in the interviews. But none of them convinced the journalist. He knew there had to be something else behind the success.

It was the journalist’s last day at the Nokia headquarters and he had one more interview lined up, this time with Jorma Ollila, the then CEO of Nokia. They had an interesting discussion, although nothing really new came up. At the end of the interview Ollila asked if the journalist would like to have a bite to eat. The latter nodded his assent, so they set off to the staff canteen. Standing in the line, the journalist noticed that people from all levels of the organization exchanged a few words with Ollila quite naturally and without any fuss. There he was, the celebrated CEO among his employees, yet there was no aura of position—everyone actually called him by his first name in greeting. Suddenly, the journalist realized he had witnessed the secret code of Nokia at work. The mysterious source of progress and innovation was

the non-hierarchical corporate culture which Jorma Ollila maintained in exemplary manner.

Of course, as we know now from Nokia’s recent history, what is once created can also be destroyed. The fine culture that was once benchmarking Nokia was overshadowed with rigidity and lack of leadership as it grew to be a global giant. Thus, our hypothesis here is twofold: First, it is not only about creating but also maintaining the spirit in the organization. Second, the success or the defeat with any organization today is primarily determined by internal rather than external factors. In other words: it is all about leadership.

From profit grabbing to human capital

In the last 10 years, it has become obvious in the boardrooms of leading companies in the world that old ideas of the human perspective are no longer valid. It is wrong to see an organization merely as a business entity whose purpose is to make profit for its shareholders. Even Jack Welch, also known as Neutron Jack, the former CEO of General Electric, famous for his ruthless advocacy of shareholder value and profit, has admitted that there are more things to running a business than just business.⁵ Even if we employ the smartest businessmen in the city in our organization, they are in practice blind if they do not understand what it means to see business *from the*

⁵ See http://www.businessweek.com/bwdaily/dnflash/content/mar2009/db20090316_630496.htm. Accessed September 20, 2013.

organizational perspective. Trying to understand business from the human point of view leads to a completely different conception of the role of human capital within organizations. The simple premise is this: the human capital of organizations needs leadership; otherwise a part of it goes to waste. This in turn should make us ask what leadership is really all about.

Roughly speaking, we can say that from the management perspective all organizations possess three key factors which affect employee engagement. These three factors emerged in a long-term study conducted by the Kenexa Research Institute.⁶

1. *The first factor involves the future vision and strategic goals of the company.* Certainty of the future of the organization correlates positively with the degree of employee engagement. This factor has a crucial effect on how top management is able to launch a process whereby the corporate mission becomes clearer and employees are able to relate it to their own goals and future. John Mackey is the CEO of Whole Foods Market, a company whose history of growth is even more remarkable in US retail than that of Walmart. Mackey speaks about the need to define a higher purpose for the organization⁷: his own company tries “to change and improve the world”. If this lofty purpose can be brought down to the level of the objectives and practices of the company and thereby to generate business, as Whole Foods Market has done, the corporate vision works as intended. When all is said and done, the truth is that employees need a vision which genuinely motivates them. It also seems that the vision must go beyond business and state something which contributes to the better functioning of society and communities [13]. People must be able to see that life in the profession is linked to a greater purpose.
2. *The other factor relates to how individuals see their own future as part of the future of the company.* In practical terms this means that the company must provide sufficient opportunities for learning and advancement. Money is naturally a great motivator, but research shows that other factors can be even more important. Professionally oriented people want to know if their employer is interested in developing their skills. This issue typically receives fairly low points in current surveys, yet it seems to be one of the key motivators for employees, making it highly relevant with respect to the performance of the company as a whole. This is not only about what each party has to contribute, but more importantly, about how seriously the company views employees as human capital which is

capable of being increased just like any other capital. How serious is the company about improving its strengths? It is quite common today that companies want to secure the commitment of their top management to stay with the company. To achieve this, companies use a variety of bonus systems and other benefits, such as extra pensions. Quite often they also have extensive training programmes for the top management. However, if the mid-management is excluded from those benefits and begins to feel exploited as a result, dissatisfaction begins to spread. The commitment of the middle and lower management levels can be significantly improved if the company makes a serious effort to demonstrate that it cares for the future of the individuals. This actually implies a vision of the individuals’ own paths of development for developing within the organization. It can also include career opportunities in other countries and at other branches of the company.

3. *The third factor concerns how the company supports the balance between work and leisure.* The flexibility enjoyed by employees in enterprises is today much greater than 30 years ago. It seems as if with the digital technologies supporting the diffusion of the public and the private sphere, a growing number of people feel threatened as work encroaches upon private life. It is therefore no surprise that time was at third place on the Kenexa Research Institute’s shortlist of the ten most important trends at work. In his classic 1956 book, the sociologist William H. Whyte described the ‘organization man’ who dedicated his entire life to the company—today this particular character is dying along with his entire generation [14, 15]. The idea of lifelong employment is waning, giving room to a new kind of employee who is more concerned about his or her own welfare than that of the company.

This shift in values towards individualization has been observed a long time ago by sociologists [16]. This implies the focus of self-expression and fulfillment. For organizations this means they must exert themselves to show that they really do care for their employees. Healthy food, exercise and cultural activities should be seen as incentives, along with the opportunity to devote time to one’s family. It appears that continued engagement can only be achieved given a certain measure of freedom.

These three factors seem to be fundamental to the success of any organization as there is growing evidence that the level of employee engagement correlates to the economic performance of the company [17]. We are becoming increasingly aware that the most efficient way of increasing productivity and ensuring success in contemporary expert organizations is to invest and take enough care of human capital since it helps organization to make the right choices and to weather the storm [18, 19]. Even in manufacturing the issue is no longer

⁶ A global research organization dedicated to research into employee engagement, the Kenexa Research Institute produces knowledge about how to increase employee commitment in organizations, see <http://www.kenexa.com/>. Accessed September 24, 2013.

⁷ See the interview with John Mackey, *Harvard Business Review*, January–February 2011. See also Mackey, J. and Sisodia, R. [13].

how factories might be able to produce things more efficiently, but how well they are able to organize and motivate those doing the work. The key task of the management of any organization is to increase its productivity, and that is precisely why the key principles of management must be understood and assimilated throughout the organization. Otherwise it will function only at half capacity.

Post-material values of the future

It is rather obvious that the need for organizational leadership reflects the larger value shift in our societies. Those values are on the ascendancy which the famous political scientist Ronald Inglehart has called post-material values [20]. Such values begin to gain ascendancy when affluence has reached a certain level and when a generation has gained dominance which formed those values in their youth.⁸ A global survey spanning more than 35 years showed that post-material values are currently most prevalent in the Nordic countries, and are most popular among young people. Since those in their twenties today will be decision makers in 2050, we have good reason to expect that post-material values will at that time be prevalent determinants of behaviour.

There are two key components that underlie postmaterial values: *freedom of self-expression and quality of life*. They manifest themselves as attitudes, including the following:

- People want to and have the courage to express themselves and their uniqueness as citizens and consumers. They lean towards individualistic choices.
- Work is increasingly becoming a group effort. With increasing teamwork, it is no longer acceptable to come and go as one pleases. One must possess social skills and flexibility, a characteristic quite often stronger in women than in men. This continues to be one reason why the appreciation of female leaders has increased and will increase further in the future.
- People will be naturally suspicious of everything, and can no longer be fed a line as before. In the marketplace, companies must win the trust of customers with arguments that genuinely look at the matter from the customer's or the citizen's perspective. People will increasingly buy products made by companies whose values they perceive to correspond to their own values.
- All traditions will be reassessed, while simultaneously new traditions are created. People will no longer identify with the values of previous generations as they used to, and political class-consciousness of all kind will diminish. People will prefer weak ties to strong ones: social networks will be constituted around hobbies rather than around family or work.
- Tolerance will increase. An increasing number of people will live in urban settings, where one has to tolerate all sorts of things. A new generation is growing whose ethos is considerably more urban than that of previous generations. An essential aspect and flavour of urban life is that it involves encounters with other cultures and customs.
- Immaterial values will gain in ascendancy, and appreciation of nature will grow. We can already observe the increase in general interest in immaterial and spiritual things and it may be a central aspect of the transformation of values operating in society. Contact with nature, the value which in the agrarian and industrial society was mostly perceived in terms of exploitation, will become an increasingly important part of the good life.
- Work will become an ever more comprehensive part of life. The collective values of the workplace will grow in importance, and people will be less tolerant of conflicts between their personal values and those of their workplace. The scope of work will simultaneously expand, while the traditional (full-time) model of salaried work will decline and employment will take on increasingly diverse forms.

These postmaterial values represent a kind of social structure that is pertaining to the sixth Kondratieff wave. The values of a postmaterial society would thus seem to be based on three main elements: First, people want above all to *express themselves* instead of just toeing a traditional line or earning a living. Second, they want to use, and do use, more of their mental capacity in a comprehensive way and to employ their *emotional intelligence* also at work [21]. Third, their appreciation of nature and their immediate surroundings in general increases as they seek a higher quality for their lives.

The key elements of self-expression are the discovery and refinement of one's talents, and the experience of creativity, the joy of creating new things. Following Inglehart's results it seems that self-expression is becoming *the* key value guiding people in the future. This has not always been the case: for the war generation, for example, being part of the community was a much more important value. Active creativity implies not only the creation of new things, but also a critical attitude towards prevalent ideas or practices. In a postmaterial world, it is important that ideas, dreams and goals can be actualised. This, too, is an important part of creativity: how to express one's talents, and what to do to actualize one's mental potential in the world.

Self-expression, the use of emotional and social intelligence and the appreciation of the immediate living and working environment, these are the fundamental pillars of people living in the world of postmaterial values. It is these factors which function as the main components of the identity of people under the sixth Kondratieff wave, which we are now about to explore.

⁸ See <http://www.worldvaluessurvey.org>. Accessed September 25, 2013.

Let us now turn back to the question what is the role of human capital in the sixth wave.

Human capital and the sixth wave

More than 10 years ago, Jim Collins conducted a research on how companies change from good to great [22–24]. One of his observations was that a great company needs determination in the building up of human capital. It seems that the management of leadership and human capital requires more genuine skills, sharp thinking and ruthless implementation than any other area of business. This has very little to do with classical human resource operations which seek to establish a steady flow of employees in and out of the organization. That attitude will never lead to anything except average survival in the long term.

As we step into the next development phase of our global system, we can see three aspects which are key features in the development of leadership. Businesses that seek to attain top excellence will take these points seriously in order to go beyond the average.

1. *The company needs a vision that motivates and charges its employees: something which goes beyond narrow operative goals such as securing profits for the shareholders. The vision must also be developed, processed and communicated in a way that engages the entire organization.*

In the volatile environment of the sixth wave, a company—regardless if it performs well or not—needs to recharge its batteries. This happens by having a clear idea of how to elevate the energy level of the organization. This is a key issue since markets have become very sensitive to those operators whose energy has gone low for various reasons. In their groundbreaking work on analyzing the energy level of global companies of today and helping them to recharge, Heike Bruch and Bernd Vogel have developed the concept of organizational energy by differentiating four energy types: productive and comfortable energies as positive energy and resigned and corrosive energies as negative energy. Usually every organization has a certain amount of all of these energies. The question is which one is prevailing in top management acting before the energy begins to fall. The most important proactive move in this case is to rekindle the company vision and purpose and how all employees are part of it [25].

2. *Social ends become business ends. Creating shared value becomes a norm how companies strategize.*

As globalization and demographic change will shake dramatically our existing welfare state models, the real question

comes how these changes are seen as business opportunities. What begins to be obvious is that *the relationship between the corporate sector and society will become increasingly close*. In the future, we will see a growing number of new alliances, partnerships and public-private ventures responding to human needs and social problems [26]. This calls for a profound understanding of the collective or social aspect of business, and also a vision of what factors motivate employees to do their best.

As regards corporate management of human capital today, there seems to be very little understanding of the impacts of the imminent changes. The typical enterprise today still thinks that the core of its operations is products and services, that is, their business. The old adage that “the business of business is business” still misleads us to think that businesses can flourish because they take care of their business. Nothing could be further from the truth, at least if organizations wish to do better in the future. Instead of solely focusing on their own business, they should take a very close look at the ways in which the organization is managed. One of the most successful entrepreneurs of our time, John Mackey, the founder of Whole Food Stores, has noted: companies need profits in order to work for social causes, not the other way round.⁹

It is particularly important to create a vision of the corporate cultures and values of the new wave that respect this narrowing of the formerly rather separated spaces. The emergence of new corporate cultures is a reflection of the changes taking place in the global and local environment. Corporate values and behaviour must adapt to the conditions set for them by employees and customers of the new generation. It is quite conceivable that successful companies will become *value based* in the sixth Kondratieff wave. These values determine how they organize themselves, what kind of products and services they produce, and how they brand themselves.

Businesses investing in good leadership will in the sixth Kondratieff wave begin to realign their operations with societal aims, which they will reshape into corporate practices and policies. There are already some spearheading companies in this: for example, the idea of environmental products at GE's *Ecomagination* generated 18 billion dollars' worth of turnover in 2010, and has brought a lot of goodwill to the company. Acting against the growing public distrust of companies, we will in the future see more strategic initiatives with which companies seek to demonstrate that they are part of the solution to societal problems.

Richard Barrett, the pioneer of value-based leadership, speaks about a *whole system change* as part of the cultural transformation of companies [15, 19]. This particular view of organizational culture embodies three major viewpoints: Firstly, the example set by the management is crucial. The

⁹ Interview with John Mackey, *Harvard Business Review*, January–February 2011

management must demonstrate through its own actions that it prioritizes shared visions, missions, values, principles and codes of behaviour. If, for example, the management emphasizes cost-cutting while simultaneously lining its own pockets, it does not act demonstrably in line with the values of the organization.

Secondly, values and objectives must permeate, too, all situations and levels of decision making. This also includes the recruitment policy, for example. If sustainable development is a value for the company, the recruits must demonstrate sufficient respect for sustainable development in their own value set. Thirdly, organizational culture must be assessed and monitored using indicators that apply to the values and behaviours of individuals as well as groups. A major reason why companies are unable to exploit their own potential is the lack of evaluation.

The whole system change is a framework which helps the organization to identify events arising from human values, needs and aims. Such a holistic approach means that it covers the entire gamut of values, from earning money to solemn goals involving the entire human race. Being both harmonious and dynamic, a developed organizational culture under the sixth Kondratieff wave can yield significant competitive advantages to the company.

3. *Employees must be shown how they can use and develop their skills comprehensively within the organization.*

Employees need to see that the company supports their personal idea of a good life. This means in practice that there must be sufficient opportunities for learning. Global corporations in particular need to offer interesting learning opportunities for their employees. There must also be a proper balance between work and other areas of life. One of the scourges of our age is that people spend too much time in the office, engaged in low productivity activities. Time in the office can be shorter as long as concentration is maximal.

What should one expect of a leader in such an organization? First of all, all leaders should spend less time on managing and more time on listening to the organization. On the basis of an extensive survey, the leadership experts James Kouzes and Barry Posner concluded that the most neglected thing in leadership evaluations is how the leader seeks feedback from the organization [27]. In other words, most leaders are not interested in listening to what the organization thinks about them. While this may be in line with prevalent thinking, it is devastating to the organization itself and especially to the leader's ability to understand his/her own level of development.

Yet listening to the organization is the most efficient early warning system for a leader, one which helps him or her anticipate the challenges piling up before the organization. It is obvious what clogs up this feedback loop: fear of criticism

or fear to criticize. If that fear can be dispelled, the leader may gain vital information in the dialogue. But even more importantly: the same study by Kouzes and Posner shows that the behaviour of one's supervisor, whether good or bad, is by far the most important sign for the employee of the way the organization works. Thus, the behaviour and ethical standards of mid-management (in a large organization) are even more important than that of top management.

How, then, can such a good and basically functional organization be changed into an excellent one which is prepared to take on the challenges of the sixth Kondratieff wave? Perhaps we should consider first how it *cannot* be changed. It cannot be changed by telling people that they must change their behaviour. Nor can it be changed with training or guidance or by altering structures or organizational models. Nor can it be changed by avoiding conflict or by forcing the organization to innovate. And, it cannot be changed by launching a grandiose (and expensive) programme for changing organizational culture.

The culture of an organization can only change when the organization and its management start behaving differently. What is needed is genuine change in the behaviour of management and employees alike. Employees must assume an independent and responsible role within the organization. The management in turn must concentrate on its core duties which are running the organization and supporting employees to achieve objectives. They must also become sensitive to the needs of employees who wish to rise to the next level in their own development. Their leadership style is coaching, non-controlling and inviting development.

In an excellent sixth wave company, people learn to work across organizational boundaries, structures and hierarchies. The dynamics of change in them is great, yet controlled. They are in fact masters of change and transformation, because they have tuned their antennae towards the world and reflected those changes inside the organization. The will to change must be innate, not caused by outside force, such as the market situation.

What will the human identity be like in 2050? What will be the things that people value? How will they choose their work, food or spouse? What are the things that will mean more to them, which ones will mean less? There is no single answer. All we know is that the young adults of 20 to 30 today will then be at the age when they will be making the transition away from active working life, even though the model of retirement will be different due to the ageing of the population.

Conclusions: towards the sixth wave

Culture is ultimately built on values and preferences. The task of leadership is not only to free the employees of the organization to use their creativity, but also to help them become

conscious in a new way of the values that govern the choices of the objectives and operations of the organization. Whereas organizational culture is reflected visibly by its facilities and the principles expressed in its documents, its invisible side comprises the fundamental beliefs and personal preferences held by the individuals of the organization. In any complex operating environment, values are crucial, because the organization needs guiding principles that can then be applied to individual cases and situations.

Many studies also show that companies which have established a strong strategy based on their values are better set to succeed and secure permanent competitive advantages. In such a company, values are managed as any other processes: by measuring, monitoring and assessing the values and behaviours of the organization so that they might improve the company's overall performance. Here too the goal is competitive advantage—but it is sought from an area usually not looked for.

In fact, we have an existing living example of the culture which we see emerging: Silicon Valley in California, currently the most innovative and successful economic space in the world, where most of the big names of the fifth wave have flourished. What is particular with the ecosystem of Silicon Valley that it is strongly anti-hierarchical and based on the sharing of information [28]. Moreover, some of key the technologies and business models are now turning to focus on resource productivity.¹⁰

The sixth Kondratieff wave will dominate the world for the next few decades. A new wave of globalization will bring on cultural clashes as never before. At the same time, we will come face to face with the limits of resource utilization which in turn will result in a flux of new innovations. Considering the current over-exploitation of resources and escalating pollution, the countdown for humanity has already begun. The message to companies is that they must be able to see beyond the next quarter. They need to think long-term which means they match social solutions with business objectives.

The challenges of the sixth Kondratieff wave ultimately boil down to leadership: Are there leaders who have the intelligence to change the course of the company before it is the only choice? The challenge concerns all sectors: are there leaders in the public sector who are able to draw the necessary conclusions and revamp the structures of industrial society? Are there politicians who have the sense of responsibility and the vision to guide society into a new era? And do ordinary citizens and employees have the courage to challenge existing practices?

In the face of the massive challenges the coming decades present to our societies, I draw my last conclusion about the nature of leadership in the sixth wave. What we really need is

to increase the intelligence—and thus performance—of the system on all levels. The upcoming resource revolution necessitates massive reductions of materials and energy flows per output to keep up within the rising commodity prices but also with the limits of the earth's carrying capacity [29]. This great leap forward cannot happen without new leadership performance at all levels from organizations to nation-states and eventually to regional unions, such as EU. The industrial top-down approach must be replaced with a rather bottom-up method of leadership leading to greater commitment of the stakeholders.

The emerging sixth Kondratieff wave requires that leaders are ready to open up for reality. The massive distrust expressed in polls towards businesses and governments speaks for itself.¹¹ In their behaviour, they should be direct, transparent and empowering. These three features will comprise the foundation of good leadership in the next wave to come.

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¹⁰ The author has spent considerable time for research in Silicon Valley in the last 1.5 years

¹¹ <http://cloud.presspage.com/files/354/edelmantrustbarometer2013-executivesummary.pdf>

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