

# Developing Leaders for Creative Economies

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## Abstract

Creative economies are growing worldwide. In the context of turbulent times, where most countries and regions are still recovering from a global recession, and where progress towards equality, poverty, eradication and sustainable development is still slow, we understand the need for wider vision. This is a vision evidenced in the way that Gross Domestic Product (GDP) is measured and recalculated to more accurately reflect the impact of intangibles on economic growth. Intangibles form the core of creative economies and include advertising, architecture, art, crafts, design, fashion, film, music, performing arts, publishing, research and development, software, toys and games, television and radio, and video games. This vision would allow leaders to employ an all-encompassing strategy for growth and resilience leading to sustainable prosperity.

The role of leaders in creative economies is to cultivate the aspirations; the spirit of enterprise. Leaders need to learn how to engage the spirit of enterprise to create economic value while serving the real needs of human communities and our life support system. Traditional leadership development methodologies (books, lectures, discussions, case studies) do not provide a practice field for cultivating spirit or connecting the spirit of enterprise to the realities of a world of resource constraint and urgent need. Traditional models do not link newly acquired knowledge, skills and concepts to the practice of leadership within actual work environments with lifelike situations of crisis for learning under pressure and the promise of accurate, timely feedback to the learner. This paper will propose a practice field, FutureCorp that will prepare managers to lead in creative economies.

## Creative Economies and Complex Environments

Pressures from new market forces and internal complexities are stressing already burdened systems. The rate of change, and the need to anticipate and respond to the operating context are key factors in leading successfully; not just managing change, and leaders of organizations are feeling unprepared to operate in this new environment. Old simplifying assumptions about market stability, population and structure are obsolete<sup>1</sup>. Globalization, political and economic instabilities, the changing role, use and influence of technology, corporate citizenship, and transparency require leadership to expand the scope of their environmental scanning to detect early signs of opportunities and potential threats. In a 2010 study of 1,500 CEOs, IBM reported that more than 60% believed that their businesses were more volatile, uncertain and complex than in previous years<sup>2</sup>.

With an investment in global economies, leaders are recognizing their new level of responsibility and the consequences of inaction. This commitment requires that we improve the decision-making process, not only who makes the decisions but the quality of the information we receive, interpret and feed back into the organizations so that leaders can advance the strategic goals in ways that are consistent with triple bottom line thinking.

We are saddled with strategy frameworks that do not fully factor in the firms' dependence on shared life support systems or on healthy, economically robust and interdependent human communities that are more than markets. These frameworks literally frame organizational action and decision making around the assumption that an organization can be separate from the living systems on which it depends and with which it interacts<sup>3</sup>.

While the priority of these challenges may change over time, the concerns remain the same. For leaders, there are two distinct foci to consider as they direct their organizations: external and internal. Effective leaders understand how their decisions impact the larger community - more than just their customers. They have an understanding of and are committed to improving social equity, economic value and the quality and balance of the ecosystem – to truly be life-centered vs. human-centered.

Globalization requires an understanding of operating in international markets and the local impact of our presence. In other words, it requires implementing strategies to improve the health of the organization, while addressing market needs both individually and collectively, forging new relationships and expanding customer networks. Internally, this requires a smooth knowledge transfer that benefits more than one division; one silo, inspires staff and improves employee satisfaction, improving the organizational culture.

Complex markets have required a connectivity; an interdependence worldwide, encouraging the development of core competencies and specialization, internally creating silos of information, restricting feedback and sharing of best practices. Metrics for performance evaluation of divisions and departments create competitive vs. cooperative behaviors within firms. Externally, the process of receiving information, interpreting, analyzing and acting on the information requires businesses to incorporate more data into day-to-day decision making, rendering the bottom line focus insufficient and requiring a new focus on triple bottom line. New collaborations and operating policies require consideration of the larger economy; of optimizing the system including all system participants. Thus a new leadership paradigm is required.

Leadership of creative economies will require similar skills to those taught to leaders at any time. Leaders will always require the ability to reflect on their own behavior and to understand the impact of that behavior on others, on operations and on our world. In addition, leaders will continue to need strategic vision and the ability to operationalize that vision cost effectively and to advantage. However, advantage in the second decade of the 21<sup>st</sup> century, will require a new understanding of behavior, strategic vision and advantage. New behaviors will be required which can bridge strategic with creative thinking. Advantage will require the ability to mobilize and effectively deploy not only human talent, but collaborative creative energy. Companies and countries that are able to mobilize and strategically deploy the creative energies of their people will lead innovation. This will require leaders with both openness to and an

understanding of the creative process and the ability to encourage and engage it in themselves and in others. Creative economies are economies where ideas create economic value. The process of generating ideas however, is not one that most leaders have been trained to lead and manage.

The FutureCorp practice field places leaders in a future that is happening now and asks them to map that territory together using a creative process and creative techniques to encourage both creative and generative thinking. They practice collaborative ideation and form the core of a strategic intent. They are challenged to move beyond bottom line value creation and toward a triple bottom line by design and what are the additional requirements of managing in this environment vs. previous.

An essential component of acting strategically is how we make decisions; the quality of the information we consider, the decision-making process (what and who is involved in the decision) and implementation of the appropriate course of action. With the advancing of communication and technological tools, we can access more and better quality data. The key is learning to distinguish good quality data and determining what information we need to make more strategic decisions that consider not just the immediate community but communities worldwide. This requires that we evaluate the criteria we apply; rules of thumb, to be sure that they reflect the values of the organization while improving the health of the organization and its environment. More important is that leaders recognize the complexity of their operating context and the affect this has on their organization both internally and externally – it is not just about sales and building customer and employee loyalty, it is about sustainable practices, economic value and environmental costs. This requires a longer term approach to all of our planning and day-to-day decisions. Our core competencies cannot only focus on production and sales but training and empowering our staff, and the impact on the environment of all the decisions that we make.

What are the criteria and are they consistent with the mission and values of the organization and more importantly with our core purpose so that we all prosper? Leaders must challenge existing models and assumptions behind current practices<sup>4</sup>. As leaders our actions affect resource utilization and replenishment, both human and ecological. Our leadership style should inspire (internally and externally) those to act the same way and make decisions that consider environmental impact and economic value, extending beyond the bottom line, beyond industry lines.

Leaders recognize the interdependency of the components in the greater community, the need to be socially responsible, ecologically effective, improve the flow of information and knowledge, and be flexible to respond to changing customer needs; to focus on the triple bottom line. “Smart companies now treat sustainability as innovation’s new frontier”<sup>5</sup>. As such, leaders understand that there is a critical set of skills to lead this effort. These skills include the ability to:

- Know and understand the business, global and local markets;
- Manage subunit rivalries;
- Anticipate and overcome threats (worldwide, industry-specific, market-specific);
- Stay on strategy;
- Be an entrepreneurial force; and
- Accommodate adversity<sup>6</sup>.

Leadership in a creative economy requires a generative impulse, a desire to nourish and nurture, engage and enable. Generativity is collaborative and focused on generating new possibilities in a variety of forms. It finds its expression in the way we encounter each other and in our intentions toward each other. This generative impulse must be tested with others in the crucible of live action. Preferably this is done through simulation, where risks can be taken that are harder to take in real time. The focus of management education on analytical problem solving through case analysis has merit but does not enable coaching on the behavioral process that involves leaders in discovering and defining, designing and delivering futures filled with options and opportunities. What may be required is a fundamental rethinking of the value and approach to business education and learning. This would be an approach that develops the leadership competencies and skills to deal with the unforeseen challenges of the creative economies, as quickly as these environments and responsibilities demand.

### **Leadership Development and Training**

Leadership means to inspire others to take action determined by the leader<sup>7</sup>. As such, it is often considered a competitive asset<sup>8</sup>. Leadership development programs have proven effective in training leaders across industries<sup>9</sup>. Therefore, there has been considerable investment in leadership development and training. Reasons for programs include: the desire to advance the organization's strategic goals, concerns about leadership turnover, need to improve teamwork and communication across departments, need to realign the culture with organizational objectives<sup>10</sup>, as well as leading and managing change, engaging and motivating employees, coaching, building customer and brand loyalty, and inspiring and fostering innovation and competitive advantage.

Experiential learning is one of the most effective leadership development and methods<sup>11</sup>. Roger Schank's "Learning by Doing"<sup>12</sup> theory argues for the benefits of learning by doing over learning by being told. He proposes that we only learn from experience and that the experience needs to be strongly related to an experience we have already had. David Kolb's<sup>13</sup> model of experiential learning suggests that adults cannot learn unless they are able to do something with the information they are given, to see if it really works and consider new ways of doing things. Jean Piaget<sup>14</sup> and Kurt Lewin<sup>15</sup> agreed that learning occurs best when there is an opportunity for the learner to interact with new information and reflect on that experience with others; in other words, double-loop learning. Lewin observed that role-play and group discussion were more effective than lecture and Piaget suggested that social interaction influenced the learner's willingness to reflect and change perspective. Further, adults learn differently from children. According to Malcolm Knowles,<sup>16</sup> adults have a life-centered orientation to learning and problem solving, they have a desire to rely on experience as a learning resource, have a need to self-direct, and require an opportunity to immediately practice with the new information they are given.

Research on adult education confirms that adults' learning is primarily self-motivated and that adults learn best when they perceive the learning to be of value to their personal life and careers. Experience is the richest source of adult learning, with an emphasis on application with facilitation and feedback.

Training and development efforts are successful when there is knowledge retention, behavioral and attitude changes<sup>17,18</sup>. The focus should be on collective collaboration and cognitive learning vs. solely on problem solving. However, the majority of leadership training

and development is individualized. Participants are “grouped” by industry, function, rank, but not by organizational teams. They tend to focus on knowledge acquisition and problem solving, vs. leading as if life matters.

### **Action Plan**

“A simulation is an exercise involving the reality of function in an artificial environment; a case study in which the participants are inside”<sup>19</sup>. The research on simulations points to their success in motivating learners through direct experiences that they perceive as having immediate relevance to their careers and are remembered long after the practice experience. Wenzler and Chartier<sup>20</sup> suggest that simulations are essential to creating a continuous learning environment where participants are encouraged to manage change through shared information and ideas.

A business simulation is a valuable training tool that is grounded in adult learning theory and satisfies many of the needs of adult learners. According to McKinsey consultants Bertsche, Crawford and Macadam<sup>21</sup> simulations have the power to change people’s behavior by giving them a safe place to experiment, test assumptions and learn from their mistakes. Simulations provide the opportunity to experience complex system interactions, cross-functional group collaboration<sup>22</sup> and integrate TBLD dimensions.

Large-scale business simulations have been used by organizations for years and more companies are choosing them to stimulate the learning necessary to manage effectively in the creative economies of the 21<sup>st</sup> century. Dunbar, Stumpf, Mullen and Arnone<sup>23</sup> assert that simulations facilitate adult learning by replicating the fragmented, fast-paced environment of the work place. Participants are confronted with the challenge of making sense of too much information and too little time with levels of ambiguity and uncertainty running high. Managers feel there are working in their typical work environment and their behaviors mirror what they would do on the job. In complex creative economies, leaders need practice field opportunities to test their leadership and decision making in a low risk environment.

FutureCorp is a large-scale behavioral business, intense and interactive, with an emphasis on experiential learning by doing, rather than learning by-proxy through cases. In FutureCorp, participants generate actual managerial behaviors; they form a management team and run the company. FutureCorp is a team-based methodology and practice field opportunity to help leaders navigate the white water of the 21<sup>st</sup> century’s creative economies. It situates the creative economy leadership challenge within the changing context of our shared world. FutureCorp tosses leaders into the storm and equips them with a team. They learn to challenge prevailing structures and to become leaders who know the value of spirited action in the service of life and the advantage that that generative leadership will begin to command in markets. In the simulated microworld, team members reflect on FutureCorp’s needs, set goals, process information, collaboratively learn and problem solve, resolve internal and external conflict and create action plans to implement their decisions.

As a large-scale simulation, FutureCorp involves many different roles from President, Chief-Operating Officer, Financial Officer, senior vice presidents, staff positions, plant managers, to marketing and production personnel. To get into their roles, participants are given a significant amount of reading material to make sense of in a very short amount of time. Every role is defined through extensive, robust information on the history of the company and past business decisions. Participants are confronted with Email and correspondence on current issues confronting the company, problems to be solved and decisions to be influenced.

FutureCorp can only be led effectively if important issues are surfaced, information is collected and shared, and people are talking to each other. The participants control the outcome of the simulation and there are no right or wrong answers. Depending on their managerial styles and the goals and objectives they have set for the organization, problems surface with the same and often different solutions.

As a business simulation, FutureCorp is conspicuously artificial and that artificiality expedites the learning. Participants understand it is their role-for-a-day, there are no warehouses or manufacturing plants to manage, money will not change hands, sales quotas will not have to be met. What they have, as disclosed through annual reports and ancillary material is an inherited company history that cannot be altered and for which they are now responsible. Only the participants determine how they will act in their role and if they can get others to agree, they are able to influence the direction of the organization.

FutureCorp recreates a realistic leadership experience where people scramble for information and need to rely on their interpersonal and communication skills as they set priorities and balance strategic and operational issues. In a short time-frame of three to five hours, people are asked to make things work and get things done with and through others. They understand that facilitators will not intervene in their decision-making process and they are liberated to set their own agendas and schedules.

Participants work in “real” time to get things done. While that suggests a limited time frame, FutureCorp’s open-design office space can facilitate engagement, with discussions, meetings, decision making and participants easily visible and accessible. Walled constraints and gate-keepers are missing in FutureCorp, participants are provided unimpeded access to influence and persuade. For the first time, many participants are aware of their preferred way of working, their management styles and how they influence others. In a business simulation these behaviors are visible and potentially, more manageable. Participants are in a much stronger position as they transfer insight and learning back to the job.

FutureCorp as a large-scale behavioral business simulation can be used to help participants step into the other’s shoes to see how organizations work from a senior level leadership position, as they diagnosis their own skill potential and performance at higher-levels. Participants leave the FutureCorp leadership experience with a clearer understanding of what they are doing well and things they might do differently or better. This feedback on their performance from facilitators and peers can be critical to their professional and personal development.

Through observation and questionnaires on goals and objectives that were set, decisions made and actions taken, who had influence in the organization, those that managed more strategically, and the organizational climate created, managers have an opportunity to step back after the simulation and look at what they did. This information provides a platform for participants to reflect on their individual and collective contribution to FutureCorp’s success, the things they might have done differently and lessons learned.

FutureCorp allows managers to consider and take action on what they think should be done in particular situations. They get to see and reflect on the financial impact of their decisions and the interpersonal behaviors that influenced others. The experiential nature of FutureCorp helps managers to understand the influence of their management styles and develop an awareness of their personal strength and weakness. Lessons learned are more valuable because they are developed in a context that replicates and is quite similar to their work environment.

FutureCorp encourages hands-on experience and dynamic interaction through behavioral simulation. Although many behavioral and computer simulations exist, none provide a “flight test” for sustainable strategic leadership. They encourage routine application of perceived necessary skills in management communication and organization behavior or the application of specialized skills in marketing, operations management or finance. The 21<sup>st</sup> century will require a new kind of leadership development which must include an orientation to the complexity of the world which leaders actually shape by their actions. Leaders inspire. FutureCorp is designed to evidence that business decisions are ethical decisions and must be seen as such. There are benefits, and both intended and unintended consequences of our decisions and our actions. FutureCorp is a reflective and developmental exercise that is designed to deepen the leader’s understanding of the importance of embodying spirit in organizational action.

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